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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY OCTOBER 19 1994 — D8523A

Sales of Tagamet in US fall 76% as patent expires

US sales of Tagamet, once SmithKline Beecham's best-selling drug, collapsed by 76 per cent in the third quarter to £31m ($47m) following the expiry in May of patent protection for the UK pharmaceuticals company's ulcer remedy. Tagamet's weakness was partly counterbalanced by the company's portfolio of new drugs, sales of which rose 83 per cent to £226m over the same period last year. Pre-tax profits were 2 per cent down at £285m, although last year's third quarter included an exceptional £14m gain. Page 17; Lex, Page 16

Russia appoints acting chief of central bank

Tatyana Paramonova, 44, was appointed acting chairman of the Russian central bank in succession to Victor Gerashchenko, who resigned last week. Ms Paramonova is one of the youngest of the bank's deputy chairmen and the only woman in its senior management. Page 2

Carmakers accuse EU over research plan

European carmakers accused the European Commission and EU governments of failing to meet financial and strategic planning obligations under an eight-year, Ecu900m ($1.1bn) collaborative research programme aimed at halving the EU's 50,000 road deaths a year by 2010. Peugeot chairman Jacques Calvet (above) and Fiat managing director Giorgio Garuzzo said the goal was under threat and technology developed by Europe's vehicle and component manufacturers could be overtaken by the Japanese and North American motor industries. Page 16

GE 13% ahead despite banking losses: General Electric, the diversified US conglomerate, shrugged off losses at its Kidder Peabody investment banking subsidiary with a 13 per cent rise in third-quarter net earnings to $1.368bn. Page 17

IBM set to sell UK plant: International Business Machines, the world's largest computer maker, is planning to sell all or part of its profitable manufacturing operation at Havant in the south of England. Page 16

China's inflation rate reaches 27.4%: China's annual inflation rate rose to 27.4 per cent in September, putting more pressure on the central government which fears social unrest. The figure was up nearly two percentage points on August, the State Statistical Bureau said. Page 16

Estonia's bow door located: A Finnish search vessel found the bow door of the ferry Estonia, which sank in the Baltic Sea with the loss of more than 900 lives. The 55-tonne door was about a mile from the wreck.

Rover plans 1,450 new jobs: UK carmaker Rover is to create 1,450 jobs at its British plants in response to strongly rising sales, particularly in export markets. Page 8; Daewoo unveils expansion plan, Page 7; Dying romance of the open road, Page 14; Lex, Page 16

Thomson-CSF profits fall: Thomson-CSF, French state-controlled defence electronics company, revealed the bottom line cost of its one-fifth stake in troubled state bank Crédit Lyonnais when it reported first-half net profits down to FFr31m ($5.86m) from FFr455m a year earlier.

Seven die in Texas floods: Seven people died in flash floods as 20 inches of rain fell in 36 hours in parts of Texas. More than 10,000 people were evacuated.

Kohl pressed on spending cuts: Germany's re-elected government came under pressure from industry and the Bundesbank to stick to plans for spending cuts and take strong action to reform the costly social welfare system. Page 3

Securities firms' profits hit: Merrill Lynch and Bear Stearns reported sharply lower profits for the latest quarter, providing further evidence of how the deterioration in Wall Street trading and underwriting conditions has hit securities firms' earnings. Page 20

Statoil and Saga prepare energy venture: Statoil and Saga Petroleum, two of Norway's biggest oil and gas companies, will today announce an asset swap programme which will clear the way for a NKr40bn ($5.6bn) joint development plan for gas fields in the Norwegian Sea. Page 16

STOCK MARKET INDICES

FT-SE 100:	3,085.3	(-34.9)
Yield	4.08	
FT-SE Eurotrack 100	1,333.52	(-9.48)
FT-SE-A All-Share	1534.4	(-0.9%)
Nikkei	19,992.4	(+34.11)
New York: lunchtime		
Dow Jones Ind Ave	3,905.76	(-18.17)
S&P Composite	467.0	(-1.96)

US LUNCHTIME RATES

Federal Funds:	$4\frac{11}{16}$%
3-mo Treas Bills: Yld	5.81%
Long Bond	$96\frac{1}{2}$
Yield	7.839%

LONDON MONEY

3-mo Interbank	$5\frac{13}{16}$%	(same)
Liffe long gilt future:	Dec 102	(Dec $102\frac{13}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$16.19	(15.915)

Gold

New York Comex (Dec)	$391.3	(392.1)
London	$389.5	(389.2)

STERLING

New York lunchtime:		
$	1.61085	
London:		
$	1.6154	(1.6074)
DM	2.4235	(2.4168)
FFr	8.3137	(8.2975)
SFr	2.0136	(2.0133)
Y	157.8	(157.279)
£ Index	80.0	(79.8)

DOLLAR

New York lunchtime:		
DM	1.50475	
FFr	5.158	
SFr	1.2495	
Y	97.775	
London:		
DM	1.5003	(1.5098)
FFr	5.1465	(5.1622)
SFr	1.2465	(1.2526)
Y	97.685	(97.85)
$ Index	61.1	(61.2)

Tokyo close Y 98.05

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.18	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

Dow to buy core of east German chemical sector

By Judy Dempsey in Berlin

Dow Chemical of the US intends to take control of the core of the former East German chemical industry in a deal which will bring DM2.9bn ($1.87bn) of investment from the Treuhand, Germany's privatisation agency.

Treuhand officials said that Dow has signed a letter of intent. The company said the deal would be agreed by the end of the year.

Through its subsidiary Dow Deutschland, Dow intends to buy majority stakes in the steam cracker at Sächsische Olefinwerke in Böhlen, the electrochemical units and derivative operations at Buna, and the intermediate chemical operations at Leuna.

The three units formed the basis of the old East Germany's chemical industry before unification. Since then, the Treuhand has been planning to hive off the entire industry to private investors.

It has been engaged in a big restructuring programme aimed at attracting investors to install a new steam cracker facility and oil refinery in the region.

The Treuhand has been providing generous financial investment incentives for the Leuna/Buna/Böhlen chemical sector, in which 68,500 people had been employed before 1990. This figure has fallen sharply to 12,300 through closures, redundancies and early retirement schemes.

The Treuhand will invest DM2.9bn to modernise the polyolefin complex at Buna and to build a pipeline from the east German northern port of Rostock. This line will ship gas sold by Gazprom, the Russian state-owned utilities company, to Buna.

Treuhand officials said that, under the terms of the letter of intent, majority control of the Buna complex's equity would pass to Dow over a period of time. The Treuhand would retain a 49 per cent stake for several years. Dow would eventually acquire 76 per cent of Buna's equity, with Gazprom taking the rest.

Buna is this year expected to have a turnover of DM800m and losses of about DM300m. However, Treuhand officials said Buna could move into the black in four years and the investments would be completed by the end of the decade.

Dow's entry into the east German chemical sector is part of its longer-term strategy of expanding in Germany and in eastern Europe. "We are looking at Europe as a whole. We are looking for opportunities. These exist particularly in this part of Europe," a Dow official said. Dow's turnover in Europe totalled $4.8bn last year.

Dow already has a plastic foam insulation manufacturing plant in Balaton, Hungary. After buying into a joint venture with Nitrokemia and Chemolimpex, two state-owned Hungarian companies in 1991, it acquired a 100 per cent stake in 1992.

Compromise insider candidate selected

Bank of Italy wins battle over naming of director-general

By Robert Graham in Rome

The Berlusconi government backed down yesterday in its long-running dispute with the Bank of Italy over the nomination of a new director-general – deputy to the governor – from within the bank.

The central bank has fought with the right-wing coalition to ensure that an insider replaced Mr Lamberto Dini, who left the bank's second highest job to become treasury minister in May.

The government had sought to bring in an outsider, arguing the bank needed new blood. This was seen both within the bank and outside as an attempt by the executive to exert greater control over the bank, especially regarding interest rates policy.

Yesterday the bank's governing council named as a replacement Mr Vincenzo Desario, the junior of the two deputy directors who form part of the four-man executive directorate of the Bank of Italy.

Mr Desario, 61, is a compromise candidate chosen over Mr Tommaso Padoa Schioppa, the senior deputy director, technically the first in line for the job but vetoed by the government as being too close to the former Ciampi administration. The bank stressed its appreciation yesterday of Mr Padoa Schioppa.

Vincenzo Desario: chosen to replace Lamberto Dini

The Desario appointment has to be approved by President Oscar Luigi Scalfaro and the cabinet. Bank officials yesterday pointed out that an appointment proposed by the governing council, composed of chairmen of the bank's regional offices, had never been turned down.

Market analysts expressed relief that the row had been resolved in a way that ensured Mr Antonio Fazio's authority as governor. They said the independence of the central bank was especially important while the government was pressing for an early lowering of interest rates, which may not be justified by the 1995 budget.

If the government climbs down as expected and accepts Mr Desario, it still leaves unresolved the issue of his successor. The governing council yesterday avoided discussion of filling the fourth place on the directorate.

The government is considered unlikely to take this defeat easily and yesterday Mr Antonio Parlato, junior minister at the treasury for the neo-Fascist MSI/National Alliance, said legislation to change the bank's statutes would shortly be placed before parliament.

The opposition welcomed the outcome. The former communist Party of the Democratic Left (PDS) said: "The government has been unable to impose its line, while the Bank of Italy in the midst of hundreds of difficulties has managed to defend its autonomy and mark a point in its favour."

Personality clashes mark bank post battle, Page 2

North Korean first vice-foreign minister Kang Sok Ju talks to the media in Geneva yesterday AP

N Korea-US deal eases fears

Breakthrough will end suspicions of bomb development

By John Burton in Seoul and Frances Williams in Geneva

International fears over North Korea's suspected nuclear weapons programme abated yesterday in the wake of a deal that will open the country to inspections and improve ties with the US.

The agreement is a sign that Mr Kim Jong-il, the new North Korean leader, is prepared to broaden his country's international contacts.

It also raised hopes that he will accelerate the opening of the country to foreign investment.

Mr Han Sung-joo, the South Korean foreign minister, said the agreement "goes a long way" to removing a potential North Korean nuclear threat. A US State Department spokesman said: "What we've got is an agreement that made a very dangerous place in the world at a very dangerous moment a lot safer."

Mr Robert Gallucci, head of the US delegation in the tortuous negotiation, announced a breakthrough in talks with North Korean officials in Geneva at midnight on Monday. Chief negotiators made clear that although the agreement had to be approved by their governments, they were confident it would be signed on Friday as scheduled.

Mr Kang Sok-ju, North Korea's first deputy foreign minister and head of the delegation to the Geneva talks, said the planned replacement of North Korea's existing graphite-moderated nuclear reactor programme with light-water reactor technology would "completely eliminate and dispel" suspicions about Pyong-

Continued on Page 16

Murdoch hopes BSkyB float will net $1bn for News Corp

By Emilia Tagaza in Adelaide and Raymond Snoddy in London

Mr Rupert Murdoch, chairman of News Corporation, said yesterday he hoped that a flotation of British Sky Broadcasting within the next few weeks could lead to an early cash injection of $1bn (£625m) into News Corp.

The remark at the company's annual meeting in Adelaide suggested that Mr Murdoch thinks the flotation could value the satellite broadcaster at $10bn or £6.25bn – the highest figure so far suggested publicly. Most analysts expected the sell-off to value the company at £4bn-£5bn. News Corp at present owns 50 per cent of BSkyB.

In remarks made from notes rather than a prepared text, Mr Murdoch said: "If one is to believe the expectations of the analysts and the valuations that have been put on the proposed reduction from 50 per cent to 40 per cent of our shareholding, it will see a strengthening (that is contingent on a lot of issues and if forecasts are correct) of the News Corporation balance sheet by the injection of another US$1bn in cash."

A pathfinder document preparing the way for the flotation is expected next month, with mid-December the likely date for the flotation of BSkyB, in which Pearson, owner of the Financial Times, has a 17.5 per cent stake.

Rupert Murdoch: hoping for a sale by January at the latest

Mr Murdoch said he very much hoped, markets permitting, that the sale could take place within the next few weeks or by January 1995 at the latest. Analysts believe that if a December deadline is missed the next realistic date would be March.

The News Corp chairman conceded that most of his established businesses, although extremely active, had not increased profits in the past 12 months. The big growth had come from investments in two partnership companies – BSkyB, which recorded a 170 per cent rise in operating profits in the year to end June, and Ansett airlines of Australia. The two associated companies contributed a combined A$394m to boost News Corp's 1993-94 net profit to A$1.2bn ($883m).

Mr Murdoch also spelled out how he sees the development of the organisation – vertical integration "from top to bottom" in the media business. Every day News Corp was putting television signals into about one third of all television homes in the world. The plan was to increase that to two thirds of all television homes.

He added that the company intended "to expand and double and then redouble our production of electronically filmed entertainment". As part of the plan, the company was establishing a A$20m film production centre in Sydney, which would produce at least three international feature movies a year.

Shareholders were also given new details about News International's newspaper price-cutting wars in the UK. Mr Murdoch, who admitted that at one stage selling The Sun at 20p had cost the company £1m a week, said the price of the paper, now 22p, would gradually rise.

"We expect to hold the majority of our [circulation] gain as we go back up in price slowly."

Mr Murdoch also said that he was in no hurry to issue new limited-voting preference shares in News Corp.

CONTENTS

Spanish financier held on fraud charges

By Tom Burns in Madrid

Mr Javier de la Rosa, one of Spain's richest and best known businessmen, was yesterday detained pending formal charges in Barcelona, prompting speculation that his arrest on charges of fraud could prompt an Italian-style political fallout.

Earlier Mr de la Rosa, who was at the centre of major deals during the booming late 1980s in Spain, had defiantly threatened those seeking his downfall. "Everyone had better be prepared to take their share of responsibility," he told a radio interviewer. "Those who have put this process in motion haven't a clue what the consequences could be."

Meanwhile in Madrid, Mr Mario Conde, removed as chairman of Banesto, the big domestic retail bank, by the Bank of Spain at the end of last year, was questioned yesterday by the chief investigative judge dealing with fiscal offences over alleged bribes paid by the bank in order to obtain tax breaks.

Mr Conde faces several investigations following the move by the Bank of Spain, which believed he had brought Banesto close to collapse.

Mr de la Rosa is accused of misappropriation of public funds in connection with credits, guaranteed by Catalonia's Generalitat government, that were granted to his loss-making holding company Gran Tibidabo.

He is best known for spearheading large investments in Spain by the Kuwait Investment Office and is being separately sued by the office over losses that forced the Spanish companies it controlled into receivership two years ago.

His arrest has already prompted opposition calls for the resignation of senior members of the Generalitat which had recently blocked an investigation by Catalonia's regional parliament into Mr de la Rosa's affairs.

The development is very embarrassing for Mr Jordi Pujol, the Catalan nationalist leader and Generalitat president, who has consistently backed Mr de la Rosa. The political consequences could extend also to Mr Felipe González's government in Madrid which depends on the support of Mr Pujol and the Catalan nationalists to stay in power.

Mr González yesterday distanced himself from the events, saying he did not intend to "lose any sleep" over Mr de la Rosa's arrest. Referring to the fortunes that were made in Spain in the late 1980s, the prime minister said the times of a "speculative" economy were over.

Conservative opposition leader Mr José María Aznar said that Mr González, in power since 1982, had "sown the seeds of corruption" and that the prime minister would be forced to "reap the harvest".

Personality clashes mark Italian bank battle

Robert Graham in Rome charts the course of a bitter five-month wrangle that has inflicted deep wounds on both sides

The conflict between Mr Silvio Berlusconi's government and the Bank of Italy over nominating a new director-general for the central bank has left only losers. The dispute was resolved yesterday with the naming of Mr Vincenzo Desario, the junior of the two deputy directors, to take over the second most important post in the Bank of Italy. But the wounds run so deep on both sides they may not heal within the life of the current administration.

The five-month long wrangle over the appointment – with the issue of the bank's autonomy at stake – has also damaged Italy's credibility in the financial markets. When a European government falls out with the central bank over the composition of the latter's key directorate, it looks as though serious differences of economic and monetary policy are at issue.

These differences do exist. In an economy experiencing a strong recovery and with a huge public debt, the Berlusconi government wants interest rates to fall; the Bank of Italy is concernad to protect the currency and hold down inflation. The government was critical of a decision by Mr Antonio Fazio, the governor, to raise the discount rate in mid-August by half a percentage point, and wes furious he observed his governor's charter to the letter, informing of the move only when it was decided.

However, conflicts of personality have played a big role in this case es Mr Fazio has fought to preserve the bank's autonomy with the choice of an internal candidate.

The seeds of disagreement were sown in April 1993 when Mr Carlo Azeglio Ciampi agreed to leave the governorship of the bank to become prime minister. Having been governor since 1979, he had clear ideas about the succession, choosing Mr Fazio, then the senior of the two deputy directors. Mr Lamberto Dini, director-general and the natural hierarchical choice, was overlooked.

No explanation was ever given for ignoring Mr Dini, who was a better known international central banker. But within the bank and among Italy's banking community, it was no secret that Mr Ciampi and Mr Dini had an awkward relationship. Mr Dini was considered too close to the old Christian Democrat party, including former premier Giulio Andreotti, whose contact with Mr Ciampi was frosty et best.

The governor and the three other members of the Bank's executive directorate are appointed by the body's governing council (composed of the bank's regional office chairmen). They are then confirmed by the head of state in consultation with the government which formalises the appointments. Mr Fazio was appointed rapidly because of Mr Ciampi's unique position as a former governor and because of his and Mr Fazio's close understanding with President Oscar Luigi Scalfaro.

The situation was more complex when Mr Dini became treasury minister in May. He was anxious to have a say in his successor and he was now in an equal if not more powerful role than the man promoted over him a year previously.

Mr Berlusconi, the premier, and his ministers could have won sympathy if the appointment had been placed in the context of e much-needed debate on introducing blood to an institution that had become too complacent and inward-looking. Unfortunately, there was no debate, only sniping conducted in the spirit of a vendetta.

This immediately took the form of a veto on Mr Tommaso Padoa Schioppa, technically the next in line as senior deputy-director and a highly respected central banker, who had played an important part in pre-Maastricht work on monetary union. However, he was seen as one of the "Ciampi boys" – closely linked to the former governor and premier – and whose crime in the eyes of the new government was to have identified too much with the left.

The government advanced several outside candidates – Mr Rainer Masera, head of Imi, the state-run financial institution being privatised, Mr Mario Draghi, the brilliant director-general of the Treasury, and latterly Mr Paolo Savona, a banker and former industry minister in the Ciampi government. But Mr Fazio insisted the appointment come from within the bank.

As early as July, the governor suggested Mr Desario, promoted hy Mr Fazio in 1993 to become the fourth member of the directorate, as a compromise candidate. But the stand-off has lasted until now, aggravated by individual members of the right-wing coalition conducting a smear campaign against the Bank of Italy.

The government climb-down is partly the result of pressure from leading members of Confindustria, the industrialists' confederation, who have argued the dispute was damaging Italy's international credibility. Equally, Mr Berlusconi may well hava recognised the conflict is an unnecessary diversion from securing safe passage for the 1995 budget.

Those who know the affair well say Mr Desario, whose career at the Bank of Italy has been in banking supervision, is not of the same calibre as the other candidates. They say the Desario promotion gives Mr Fazio a tight grip on monetary policy. But the price may well be that the government pays less attention to the Bank of Italy's counsels, and turns more to Confindustria and the Treasury. The same battle could also repeat itself over a replacement to Mr Desario.

Balladur tries to restore cabinet calm

By John Ridding in Paris

Mr Edouard Balladur, the French prime minister, yesterday sought to defuse factional disputes within his governmant which threaten the chances of the right in next spring's presidential elections.

The divisions in the centre-right coalition have been fuelled by the undeclared contest between Mr Balladur and Mr Jacques Chirac, leader of the Gaullist RPR party, for the conservative candidacy in the presidential polls.

Mr Balladur met Mr Alain Juppé, foreign minister, and Mr Charles Pasqua, interior minister, yesterday to urge the maintenance of government unity. Last week, the two ministers clashed when Mr Juppé, a strong supporter of Mr Chirac, rejected Mr Pasqua's proposal for primary elections to select a single conservative candidate for the presidential elections.

Mr Pasqua responded hy suggesting that Mr Juppé should leave the government, claiming that the foreign minister'e membership of a support committee for Mr Chirac was incompatible with his position in the cabinet. Mr François Léotard, defence minister and a Balladur supporter, has also been at odds with Mr Juppé following the defence minister's remarks thet US policy towards Iraq was motivated by domestic political considerations.

After meeting the prime minister, Mr Juppé said he was "staggered by the deterioration of the political climate", but denied having breached cabinet solidarity.

Mr Balladur is seeking to delay campaigning for next year's presidential poll until January, partly because of his own interest in silencing Chirac supporters. He has also written to Mr Chirac and Mr Veléry Giscard d'Estaing, leader of the UDF, junior partner in the RPR-UDF coalition, calling for a meeting to discuss a political ceasefire.

The increasingly public disputes between cabinet members has further unsettled a government shaken hy two resignations in the past three months. Mr Alain Carignon, communications minister, and Mr Gérard Longuet, industry minister, stepped down following corruption allegations.

The various setbacks have highlighted the potential threat to the right from Mr Jacqnes Delors, the European Commission president and a possible Socialist presidential candidate. Mr Delors has said be will not make a decision on his candidacy until the beginning of next year, but he has closed the gap with Mr Balladur in recent opinion polls.

An IFOP poll published yesterday showed that Mr Delors had gained five percentage points to close within four points of Mr Balladur in a survey of voting intentions for the second and decisive round of the presidential elections.

Central bank warns on outlook for inflation next year

Sweden set for big rise in budget deficit

By Hugh Carnegy in Stockholm

The fragile state of Sweden's economy was underscored yesterday when the government announced a much bigger than expected budget deficit, threatening growth prospects. The central bank also warned that price rise expectations in 1995 exceeded its target ceiling of 3 per cent inflation.

The finance ministry said the budget deficit in the current 1994-95 fiscal year would be SKr201bn ($27.5bn), well above the SKr150bn previously forecast and likely to be around last year's record equivalent of 13 per cent of gross national product. The ministry blamed increased borrowing costs, saying the rise in interest rates since the spring would add SKr40bn to the deficit.

Mr Göran Persson, the new Social Democratic finance minister, said more cuts in public spending were now probable in January's budget beyond those already being implemented and the fiscal measures be was due to introduce early next month. Next month's package would reflect his plan, outlined during the campaign for last month's general election, for spending cuts and tax increases to strengthen the budget hy SKr61bn over four years.

Mr Persson ecknowledged the threat which the crisis in the public finances now poses to Sweden's slow recovery from three years of recession. He said e new round of spending cuts in January would have a negative effect on growth. Already, earlier forecasts of 3 per cent GNP growth in 1995 have been downgraded to 2 per cent or less.

"Growth will be affected if we put in place a heavy squeeze. . . . to correct the state finances. But I am worried about pressing down consumption too low. We need an economic upturn," Mr Persson said.

To add to his difficulties, the Riksbank said yesterday that inflationary pressure in the economy was on the rise because of increasing producer prices – prompted by the heavy fall in the value of the krona last year – and historically high levels of capacity utilisation in industry.

The hank said inflation expectations next year in industry and the financial sector exceeded the upper limit of the Riksbank's "price stability target" of 3 per cent. The same appeared to he true in the labour market, it added.

The bank issued an implicit warning that short-term interest rates – which it raised at the end of the summer – might bave to rise again to check inflation unless the government restored merket confidence in the public finances. That in turn would also squeeze growth and push up the budget deficit further.

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Estonia's missing bow door located

By Hugh Carnegy

The missing bow section of the ferry Estonia, which sank in the Baltic Sea last month with the loss of 900 lives, was found yesterday lying in 76m of water about 2km west of the wrecked ship.

The joint Estonian-Finnish-Swedish investigation team is anxious to inspect the visor-like outer bow door, which caused the Estonia to capsize and founder when it was torn off in e storm off the south west coast of Finland during an overnight voyage from Tallinn to Stockholm.

Evidence from video camera inspections of the wreck has shown that all three locks designed to hold the 55-tonne bow section in place had broken. Investigators believe the bow section smashed against the hull and inner vehicle deck door before it broke away, allowing water to enter the vehicle deck, causing the ship to sink.

They believe it took only 15 or 20 minutes before the Estonia, jointly operated hy Estonian and Swedish shipping companies, rolled on its side and began to sink.

The bow section will now be surveyed with video cameras in an effort to find further evidence of why the locks failed. The inquiry team will also hope to salvage the bow section so they can investigate whether metal fatigue was to blame. The Swedish government is considering salvaging the main wreck, but experts say such a complex and costly operation could not be done until the spring.

So far there has been no definite evidence of human error causing the bow doors to fail. Surviving crew members have told investigators the inner bow door, which should have proved watertight, had been closed. But they said they could not judge whether the ship had been sailing too fast for the conditions, as some witnesses have suggested.

The International Maritime Organisation wants a complete review of the design of roll-on roll-off ferries.

Queen Elizabeth, on the first full day of an historic visit to Russia, tours Moscow's Red Square yesterday with the city's mayor, Mr Yuri Luzhkov Reuter

Moscow names acting chief for central bank

By John Lloyd in Moscow

President Boris Yeltsin yesterday named Ms Tatyana Paramonova as acting chairman of the Russian central bank in succession to Mr Victor Gerashchenko. She is one of the youngest of tha bank's deputy chairmen and the only woman in its senior management.

Ms Paramonova, 44, joined the bank's top echelons only two years ago when Mr Gerashchenko was appointed head of the bank six months after relinquishing his post as head of the Soviet State Bank at the end of 1991.

She was described yesterday by Mr Andrei Illarionov, a prominent reform economist, as "Mr Gerashchenko's right hand, but tougher on inflation than he was".

A senior western financial official in Moscow welcomed the appointment, saying that Mrs Paramonova had earned a high reputation for her tough line on credits and on the fight against inflation.

However, the general view is that her relative youth, her sex and her brief time in the bank's ruling council mean that she is a temporary appointment while the struggle continues over who takes the job on a permanent basis.

The state duma, or lower house of parliament, yesterday decided to postpone a debate on Mr Gerashchenko's resignation – a debate demanded by those deputies who insist that only the duma has the right to accept a resignation and to confirm appointment of a new chairman. Ms Paramonova's appointment, since it is a temporary one, does not require to go before the duma.

Though the appointment fills the vacancy left by Mr Gerashchenko and stills the fears of Moscow's bankers, it leaves the main Russian financial institutions in the hands of young, inexperienced and temporary figures.

Last week, Mr Andrei Vavilov was appointed acting finance minister in place of the sacked Mr Sergei Dubuinin – himself "acting" – and his status was further compromised by briefings from presidential spokesmen to the effect that he was a "temporary" acting minister.

Her appointment comes on the eve of talks today between Russian officials and a top-level team from the International Monetary Fund on e standby loan of $4bn.

Brittan in struggle over E Europe portfolio

By Lionel Barber in Brussels

Sir Leon Brittan, chief EU trade negotiator, is fighting an uphill battle to keep control of relations with central and eastern Europe in the new European Commission, Brussels diplomats said yesterday.

With a French-led campaign to cut Sir Leon down to size apparently making headway, the senior British commissioner is pinning hopes of preserving his bureaucratic empire on Chancellor Helmut Kohl of Germany.

Sir Leon's camp welcomed Mr Kohl's election victory this week, on the grounds that the German leeder will prefer e free-trader committed to early enlargement of the EU to the emerging democracies of central Europe. The British hope he will pass on the message to Mr Jacques Santer, who takes over as Commission president next January from Mr Jacqoes Delors.

But UK officials remain worried that Mr Kohl may tip support to France, whose senior incoming commissioner – Mrs Edith Cresson, a former French premier – is said to have expressed interest in the eastern European dossier (which also includes Russia and the former Soviet republics).

Handling reletions with central and eastern Europe is rated as the plum job in the new five-year Commission headed by Mr Santer. One of its chief tasks will be to lay the groundwork for the entry of Poland, the Czech republic and Hungary, and possibly Slovakia and Slovenia, into the EU around the turn of the century – a daunting challenge but also one with a guaranteed high political profile.

Sir Leon's credentials rest mainly on his role in the successful conclusion of the Uruguay Round of global trade liberalisation and his successful lobbying for more generous EU market access for central and east European exporters.

But Mr Santer's problem is that he does not have enough good jobs to share around in the next Commission, which will expand from 17 to 21 commissioners, assuming Sweden and Norway join Austria and Finland in supporting membership in referendums next month.

Mr Santer will attempt to reach agreement among his new colleagues on a share-out of portfolios at a meeting in Luxembourg at the end of the month.

Already, the session is being billed as a test of his grip on his new colleagues and his clout with member states.

Responsibility for the external relations portfolio is currently shared between three Commissioners: Sir Leon, Mr Hans van den Broek, the former Dutch foreign minister who handles political affairs, and Mr Manuel Marin, the long-serving senior Spanish commissioner, who is responsible for development aid, Latin America and most of the Mediterranean.

The carve-up is dogged by inefficiencies, overlap and personal rivalry.

Mr Marin is understood to have won control of Latin America and expanding responsibility in the Mediterranean, in exchange for yielding the dossier relating to the Lomé convention, the trade arrangement with 60 African, Caribbean and poorer Pacific countries, mainly former European colonies.

EUROPEAN NEWS DIGEST

French groups give pledge on illegal pay-offs

France's main public works companies – with the exception of one of the largest, Bouygues – have foresworn using illegal payments to win contracts or orders, in an attempt to restore public confidence in their sector. At the initiative of their trade association, the companies, which include subsidiaries of Lyonnaise des Eaux, Compagnie Générale des Eaux and the Schneider engineering group, have signed a pledge that they will obey the law on corporate contributions to political parties and candidates.

Bouygues, which happens to have figured less in recent corruption allegations, yesterday questioned the need for such a pledge with its implication of possible past wrong-doing. Meanwhile, Alcatel CIT yesterday described as "absurd" a reported estimate by an investigating magistrate that the telecommunications company had in fact overcharged France Télécom for equipment by up to FFr2bn, way in excess of the FFr62.6m which Alcatel recently paid the telephone utility in an agreed settlement. *David Buchan, Paris*

Dutch insider trading move

Mr Joep van den Nieuwenhuyzen, chairman of the Dutch engineering group Begemann, said yesterday that he was stepping down temporarily while he pursued an appeal against his conviction for insider trading. Mr van den Nieuwenhuyzen, the first person in the Netherlands to be found guilty of insider trading, said he was vacating the top job in favour of Mr Andre Deleye. On Monday, Mr van den Nieuwenhuyzen was sentenced to six months in jail, with three months suspended, and fined Fl 100,000 (£36,900) for insider trading in the shares of HCS, a now bankrupt computer company. He is free pending his appeal.

In 1991, Mr van den Nieuwenhuyzen, one of HCS's main shareholders, sold 4.1m shares in the company the morning after he attended a meeting with bankers and other big shareholders to discuss a rescue plan. He had acknowledged "share orchestration" but denied insider trading. His appeal to the supreme court could take a year or a longer. Mr van den Nieuwenhuyzen's conviction on Monday reversed his acquittal by a lower court in April. *Ronald van de Krol, Amsterdam*

Macedonian polls confusion

The muddle over results in the first round of Macedonia's presidential and parliamentary elections, still unresolved more than 48 hours after the polls closed, is creating confusion among voters and increasing anger in opposition political parties. The electoral commission, headed by a constitutional court judge, which supervised Sunday's presidential and parliamentary vote, yesterday cited "technical difficulties" for not being able to announce results from as many as 83 out of 120 constituencies in the former Yugoslav republic.

According to unofficial returns, President Kiro Gligorov, seeking re-election through a direct vote, held a commanding lead over his nationalist challenger, Mr Ljubisha Georgievski, while the governing Alliance for Macedonia claimed its candidates were ahead in more than half the constituencies. But the prolonged delay in producing official results is likely to reduce support for the Alliance at the run-off poll on October 30. Both the main opposition Internal Macedonian Revolutionary Organisation, the hardline nationalist party, and the free-market nationalist Democratic party set up last year have complained of ballot box fraud and are threatening to boycott the second round of the elections. *Kerin Hope, Athens*

Eko Stahl may get less cash

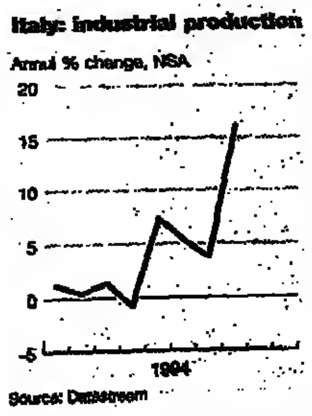
Germany's Treuhand privatisation agency and the economics ministry may be forced to reduce by DM250m (£103m) the planned DM1.2bn rescue package for Eko Stahl, eastern Germany's steel mill, European Commission officials said yesterday. But any reduction of subsidies could throw into jeopardy the sale of the plant to Cockerill-Sambre, the Belgian steel producer, which has agreed in principle to buy for DM30m a 60 per cent stake in Eko Stahl. It also intends to invest DM440m in modernising the steel mill's existing blast furnace and building a new hot-rolling mill. Cockerill yesterday said "it would not take Eko Stahl at any price", adding that the agreement to buy a stake in the mill was linked to the large rescue package. "It is up to the Treuhand to negotiate with the European Commission," it said. If Cockerill is not prepared to renegotiate the rescue package, the Treuhand might allow it to buy the remaining 40 per cent stake for a token DM1 in order to make up for any reduction in the rescue package. *Judy Dempsey, Berlin*

Turkish privatisation advance

Mrs Tansu Çiller, Turkish prime minister, has convinced her cabinet's biggest opponent of privatisation to back a draft framework law on state asset sales, significantly increasing the chances that parliament will enact it. Mr Mumtaz Soysal, foreign minister, a member of her coalition government's junior partner, the Social Democratic party, signed the draft law on Monday night after obstructing privatisation for months. He demanded that Mrs Çiller adopt a political liberalisation package before backing privatisation. Earlier this year he won a constitutional court appeal against her plan to impose privatisation by decree. The government still hopes to raise $1bn this year from privatisation and a further $9bn-$12bn next year. The state telephone and electricity utilities as well as five banks, the national airline, manufacturing and oil refining businesses are to be sold. State companies lost $5.6bn last year. Privatisation is a key feature of a wider World Bank-supported public sector reform programme aimed at tackling the main causes of the government's big budget deficits and Turkey's high inflation. *John Barham, Ankara*

ECONOMIC WATCH

Italian industrial output surges



Source: Datastream

Italian industrial production surged during the normally static month of August, rising 16 per cent on the same period in 1993. However, the August figures are not considered truly comparative because of the adoption of more staggered holiday closures by factories during the summer holidays this year. The rise in industrial production lifted the increase in the first eight months to 3.7 per cent over the same period last year, according to Istat, the national statistics institute. The most spectacular increase has been the 145 per cent jump in car production over 1993, reversing the decline that set in three years ago. Other sectors growing fast are electrical goods (up 41 per cent), shoe manufacture (up 36 per cent) and plastics (up 34 per cent). *Robert Graham, Rome*

■ Poland's industrial output (unadjusted) rose 3.5 per cent in September and was 16.7 per cent higher than in September 1993, the central statistical office said.

■ Switzerland recorded a trade surplus of SFr169.1m (£84.5m) in September after a revised deficit of SFr288.7m in August, the federal customs office said.

■ Finnish industry's producer price index rose 0.2 per cent month-on-month in September and the year-on-year rise was 2.1 per cent, Statistics Finland said.

Kohl pressed on plans for spending cuts

By Andrew Fisher in Frankfurt

Germany's newly re-elected government came under strong pressure yesterday from industry and the Bundesbank to stick to its plans for spending cuts and take strong action to reform the costly social welfare system.

"The burden of the welfare state will crush us if we fail to act," said Mr Klaus Murmann, president of the German Employers' Federation. The steadily growing system of social benefits could no longer be financed in its present form – "our main demand to the government and parliament is, therefore, to restructure the welfare state."

Mr Murmann said Germany's competitiveness had to be improved by reducing social security costs. He said total social expenditure – on sickness and accident insurance, pensions, unemployment and welfare benefits – was DM1,060bn ($434.4bn) in 1993, 50 per cent more than Germany's capital investment. In 1970, they had been roughly equal at some DM170bn.

His proposals inclnded a reduction in initial sickness pay and review of the pension syatem. Social insurance should be for the needy and people should be more prepared to make their own provision rather than relying on the state.

Mr Hans Tietmeyer, presidant of the Bundesbank, warned the government against relying on the accelerating upturn in the economy to solve the country's long-term problems. "The structural crisis of the German economy will take time to overcome. It will not be solved by the economic recovery."

Mr Tietmeyer did not mention the election result but it was clear both he and Mr Murmann were anxious that the narrowness of the government's majority might deter it from tough measures. The Free Democrats, the junior coalition party, won fewer seats in the Bundestag, the lower house of parliament, while the opposition Social Democrats lifted their majority in the Bundesrat, the upper house, which can delay legislation.

One of Mr Tietmeyer's main concerns is that too much federal borrowing could push up interest rates on the bond market. He warned against a "crowding out" situation – in which heavy demand for funds pushes up rates – at a time of incipient economic recovery.

Too much of the government's efforts to curb the budget deficit had concentrated on raising taxes and welfare contributions, he said. More effort should be devoted to cuts in spending.

A further salvo towards Bonn was fired by Mr Edzard Reuter, chairman of Daimler-Benz, Germany's largest industrial company. He said the government should find the courage to tell people of the need to tackle "a pile of unpopular tasks", including plans to reduce spending.

Greens set to help shape the German agenda

Michael Lindemann charts the radicals' return to parliament

The Greens are back – and not just by the skin of their teeth but, with 49 seats, as the third strongest party in Germany's federal parliament.

That gives the left-wing environmentalists the right to appoint one of the parliament's four deputy speakers and gives them access to other committees which shape the parliamentary agenda.

They celebrated longer than anybody else on Sunday night but were yesterday holed up in a hotel outside Bonn reviewing their strategy for the next four years, sure they will be able to build on their success.

"I think you'll see us winning the sort of support that we got in the European elections next time round," said Ms Anne Nilges, the party spokeswoman, referring to the result in June when the party won 10.1 per cent of the vote.

Four years ago the Greens scored just 3.8 per cent. They lost voters to the Social Democratic party which had shifted leftwards and they lost their 44 seats in the Bundestag, the lower house of parliament.

Other parties have meanwhile taken up many of the environmental policies mooted by the Greens, but the party says it will remain on the environmental offensive and can turn environmental concerns that stretch across German society into more votes at the next election.

The Greens will work together with the SPD, with whom they had hoped to form a so-called red-green coalition government, bot have few fears of having the ground stolen from beneath them. "The SPD is much more likely to move to the right as it tries to become the ruling party," Ms Nilges said.

Mr Joschka Fischer, the former environment minister in the state of Hesse who hopes to become one of the two leaders of the parliamentary party, set the tone for the new party when he faced the cameras on Sunday night after the election.

He first saw action in the Bundestag 10 years ago when he was scruffily dressed and wore trainers. Ten years ago to the day he was expelled from parliament for rowdy behaviour and on leaving called the acting speaker of the Bundestag an "arsehole".

Mr Fischer now wears a tie, but it is still poorly knotted and his top button is still undone.

The party now faces competition of a different sort. The party of Democratic Socialism, the renamed east German communist party, has no impressive environmental credentials but it has proved that it can steal radical votes from the Greens.

Four years ago just 0.3 per cent of west German voters backed the PDS. This time 0.9 per cent plumped for the PDS in the west, many of them one-time Green voters who were disappointed that the Greens were ready to tone down their revolutionary agenda to form a coalition with the SPD.

The Greens appear to have made decisive inroads into the support of the Free Democratic party, the small liberal coalition partner of Chancellor Helmut Kohl's Christian Democratic Union.

The Greens also won seats in the state parliament in the Saarland, the small south-western state, and were able to bolster their presence in councils across North Rhine-Westphalia, Germany's most populous state, where their share of the vote jumped from 7.3 per cent to 10.2 per cent.

The Greens' biggest problem remains eastern Germany where it picked up just 5 per cent of the vote. It has been unable to get its environmental message across to people who, leading Greens admit, have more everyday concerns.

NTT in row over use of network

By Michiyo Nakamoto in Tokyo

A private Japanese telecommnnications carrier has asked the country's regulatory authorities to intervene in what has become an unusually public row with NTT, the former public ntility, over use of its local network.

Japan Telecom, the country's tbird largest long-distance carrier, yesterday asked the minister of posts and telecommunications to order NTT to make its local nctwork availahle for high-speed data services Japan Telecom is seeking to offer.

Thc appeal, which highlights the increasingly competitive market envirnnmcnt in Japan, conld strengthen tbe argument fnr breaking up NTT (last week listed nn the London Stock Exchange) into separate long-distance and local operations.

NTT has been accused hy critics nf using its local network monopoly to impede competition in the long-distance netwnrk. Japan Telecom said It had been in talks with NTT for two years in an attempt to link its long-distance network with NTT's local network, to provide frame relay services letting users cut the cost of sending data down phone lines.

As a long-distance carrier, Japan Telecom must use the local network dominated hy NTT to provide snch services. While talks between the two companies failed to bear fruit for Japan Telecom, NTT applied in July this year to offcr frame relay services of its own. NTT, which on privatisation was allowed to retain both long-distance and local networks, faces a decision next year on whether it should be broken np or allowed to operate intact.

If the minister decides to order NTT to make its local netwnrk available to competitors, it will be the first time the anthorities will have done so. NTT has two weeks to hring its case to the anthorities. NTT said it was ready to continue talks.

US and Israel oppose $1bn funding because of Tehran's alleged terrorist links

Japan under pressure on Iranian dam

By William Dawkins in Tokyo

Japan has come under pressure from the US and Israel to stop funding a $1bn (£620m) hydroelectric dam in Iran, because of claims that the Iranian government has terrorist links.

Japan's Foreign Ministry has been urged to decide against disbursing an overdue second $460m tranche of a soft loan for the dam, over the Karun river, south of Tehran. It is the latest nf four hydroelectric plants, an important part of efforts to update an inadequate power supply, the success of which is crucial to economic reforms.

Criticism of Japan's support for Iran risks embarrassing the Tokyo government, the world's largest aid donor, less than a month after its application for permanent membership of the United Nations Security Council. Japan bas based its UN application nn its credentials as a supporter of bumanitarian causes across the world.

Diplomatic pressure to stop helping Iran has built up in recent weeks because the Foreign Ministry is nearing a decision on the loan. The second tranche was due to have been paid in May, but has been delayed while the ministry studied its allies' evidence of Iran's terrorist links.

Japan's Foreign Ministry hinted that official loans would be withdrawn if it found conclusive evidence that Tehran supported terrorism, built nuclear weapons or expanded its military

The first tranche, worth $364m and paid in May 1993, was for engineering and consultancy costs, while the second is to pay fnr machinery. A final tranche is for construction, yet to start. The Japanese government's approval for the Karun project last year marked a controversial end, against US opposition, to a 17-year suspension of Japanese aid to Iran.

This is among several subjects on which Japan has atarted recently to sketch out a foreign policy line independent of Washington.

Last year's U-turn in Tokyo's Iranian policy, influenced by Mr Kunihiko Saito, the foreign ministry's bureaucratic chief and a formar ambassador to Iran, is intended to support moderate elements in the Tehran government. This will help political stability in the Gulf ragion, on which Japan depends for more than half its oil supplies, argue the ministry's Middle East experts. Iran alone provides a mere 8.4 per cent of Japanese oil.

Critics of Japan's support for Iran, including some sections in the ministry itself, argue that it produces the opposite effect to that intended. They maintain that President Ali Akbar Hashemi Rafsanjani, Iran's pragmatic president, is aware of and unalarmed hy CIA reports showing Iranian hacking for tbe Hizhollah bomb attacks in Buenos Aires and London in July and claims by Mossad, Israeli intelligence, that aid to Iran is being diverted to Hamas, the extremist Islamic group.

Moreover, UK intelligence reports earlier this year demonstrated links hetween Tehran and the Irish Republican Army, so arousing British concern over the possible diversion of Japanese aid.

Japan's Foreign Ministry is, howaver, sensitive to these allegations. It has at least once sinca restarting aid to Iran hinted that official loans would be withdrawn if it found conclusive evidence that Tehran supported tarrorism, built nuclear weapons or expanded its military. Officials do not deny that the Iranian governmant's pragmatists and extreme religious groups are close to each other.

Against that, a ministry official points to encouragingly moderate recent statements from Tehran that it will not obstruct the Middle East peace process and that it has shifted its support for North ovar South Korea to neutrality between the two.

Whether or not to proceed with the loan remains under study, the official said.

Israel may now seek Golan lease-back

By Julian Ozanne in Jerusalem

Israel said yesterday its peace treaty witb Jordan, involving exchange nf land and lease-back deals, was a preferable model for peace with Syria to its 1979 accord with Egypt, whareby Israel returned all occupied territory.

In the Israel-Jordan peace treaty, initialled in Amman on Monday, Israel agreed to return to Jordan more than 300 square kilometres of occupied territory and to lease back and trade small parcels of other land to safeguard Israeli farmers working on areas claimed by Jnrdan.

King Hussein agreed to accept 30sq km of Israeli land in return for Jordanian territory being farmed by Israelis and to lease back at least a further 700 acres for 25 years with an option to renew.

Mr Shimon Peres, Israeli foreign minister, yesterday indicated that his government hoped this might set a precedent for peace talks with Syria over return of the Israali-occupied Golan Heights, home to 14,000 Jewish settlers and

Jordanian prime minister Abdul-Salam al-Majali announcing the details of next week's treaty signing in Amman Reuter

many businesses. Mr Hafez al-Assad, the Syrian presideot, however, firmly ruled out such a possibility yesterday and criticised tbe Israeli-Jordanian agreement, saying Israel got peace, land and public contacts without giving anything away. President Assad, holding surprise talks with President Hosni Mubarak of Egypt, said Syria would never follow Jordan's example and rent part of its territory to Israelis.

Damascus also warned that only peace with Lebanon and Syria would bring stability to the Middle East.

More criticism against the Israeli-Jordanian agreement came yesterday from Palestinian radical groups based in Damascus. The Palestine Liberation Organisation also attacked the treaty's provision for a special role for Jordan as the guardian of Islamic holy sites in Arab East Jerusalem, saying it was a "flagrant violation" the PLO-Israeli agreements and an attempt to legitimise occupation of the holy city.

The statement confirmed mounting PLO-Jordanian tension over the rival claims to Arab East Jerusalem.

In Israel, however, the treaty was received with near euphoria, especially by the business community. Israeli newspapers lauded tha prime minister, Mr Yitzhak Rabin, as a great man and even ultra-right wing parties were full of praise for the agreement, which appeared to involve no significant Israeli sacrifices. Mr Dan Proper, head of the Israeli Manufacturers' Association, said the mova marked a "big swing forward" for Israel in trade with the world, access to foreign investment and participation in large infrastructure projects.

Tourism officiala forecast large gains to both economies, with at least 1,000 tourists a day crossing between Israel and Jordan.

Arkia, a small airline company, announced it would start two flights a day between Amman and Tel Aviv and another company plans to offer a belicopter and limousine service for businessmen within days of next Wednesday's signing.

Plans were also unveiled yesterday for an Israeli-Jordanian joint venture to construct a giant tourism project in the Arava desert, with investors from Hong Kong, US, Singapore and financing from the World Bank. The first stage of the project, worth $150m (£95m), will be presented at the Casablanca Middle East economic conference which opens on October 31.

INTERNATIONAL NEWS DIGEST

Nigerian finance minister sacked

Nigeria'a military government yesterday sacked tbe finance minister, Mr Kalu Idika Kalu, architect of the country's suspended economic liberalisation policy and leader of a lobby for deregulation. Mr Kalu's sacking was reported in the government-owned Daily Times newspaper. There was no official announcement and no reason given. No replacement has been named. His dismissal may be part of a reshuffle in which the ruler, General Sani Abacha, has fired senior military officers. In 1986, Mr Kalu negotiated with the Wnrld Bank and introduced stringent reforms, opening the way for new loans and debt rescheduling. He was a lone voice for free market policies in a civilian cabinet at first dominated by supporters of government regulation of the economy. Ha then became sidelined by the increased role of the military since Gen Abacha seized power last November. In January Mr Kalu had to present a 1994 budget that contradicted his own policy prescriptions and ended Nigeria'a eight-year experiment with structural adjustment. *AP, Lagos*

Camdessus pursues campaign

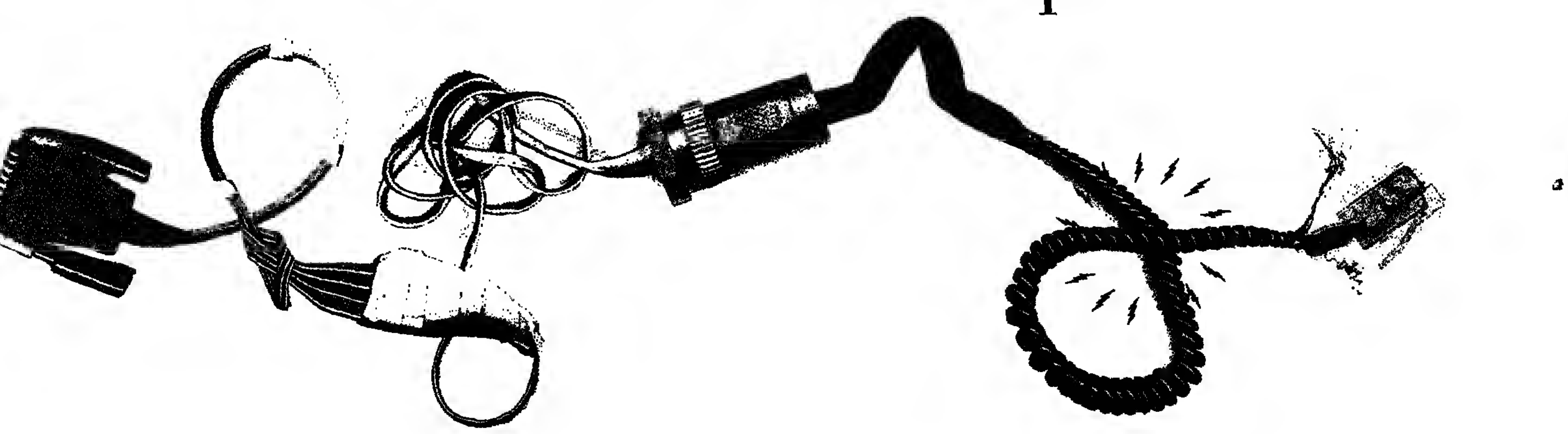
Mr Michel Camdessus, managing director of the International Monetary Fund, is pursuing a "quiet diplomacy" strategy in seeking to overcome Group of Seven opposition to bis plan for the fund to provide more financial aid to developing countries, he said yesterday. In a briefing at the end of a four-day visit to Manila, Mr Camdessus said he remained "confident" that negotiations on the proposed assistance scheme "will come to a successful conclusion". He had proposed the IMF create SDR50bn (£53bn), that could he tapped for developing economies encountering serious external payments problems. The Camdessus proposal was rejected by the Group of Seven industrial nations at the IMF-World Bank meetings in Madrid early this month. *Jose Galang, Manila*

Japanese securities tax move

Mr Masayoshi Takemura, the Japanese finance minister, said yesterday he believes a proposed revision of the country's securities trading tax should be considered as part of an overall review of the securities tax system. Speaking in the Japanese parliament, Mr Takemura said a review would also cover a proposed increase in capital gains tax. But he said that a full review of the tax was unlikely before 1996. Alone among the leading international capital markets, Japan currently imposes a 0.3 per cent tax on all securities transactions. But in the last year, as equity trading has remained sluggish and foreign companies have de-listed from tbe Tokyo Stock Exchange, alarm has been expressed about the damage done by the tax to Japan's market. *Gerard Baker, Tokyo*

China courts foreign insurers

China has signalled that It wants to speed the entry of foreign companies into the country's rapidly-growing insurance market. Speedier consideration of applications for joint ventures involving foreign insurance companies is been actively sought by the People's Bank of China, which regulates the insurance industry. Mr Di Weiping, deputy director of the bank's international department, told a conference in Hong Kong that, despite growing rapidly, China's insurance industry "cannot meet the needs of the country's economic development". For international insurance groups, the Chinese market offers potentially vast opportunities: between 1992 and 1993 income from premiums in China increased by more than 40 per cent. But only a handful of foreign insurance companies have made in-roads into the Chinese market. *Ralph Atkins, London*



China and US to boost military ties

By Tony Walker in Beijing

Beijing and Washington have agreed to increase the frequency of their military consultations in a further sign of improving relations.

The move follows President Bill Clinton's decision earlier this year to sever the link between human rights issues and renewal of China's Most Favoured Nation trading status. Mr William Perry, US defence secretary, said in Beijing that the two sides would enhance their military contacts in a series of regular high-level briefings which would begin next month.

The US would lead the way in providing the Chinese with the briefings, he added. "Dialogue is in the security interests of both countries," Mr Perry told reporters after meeting China's prime minister, Mr Li Peng.

Washington has been pressing the Chinese military to become less secretive. "We pointed out that transparency can reduce the concern of China's neighbours that its modernisation programme could provide a threat," Mr Perry declared.

"I was very clear that we were not looking for secrets. It's strategy, budget and broad planning where we are looking for an exchange," Mr Perry said.

The US had also offered the Chinese data from computer simulations of its nuclear tests. The purpose had been to persuade the Chinese to stop carrying ont tests. China drew protests from western governments on October 7 when it detonated a nuclear device at its Lop Nor test site.

Beijing has refused to join a Washington-sponsored moratorium on testing, but says it is committed to a comprehensive test ban when this comes into effect in 1996. Mr Perry made it clear his visit to China was aimed at improving day-to-day contacts, to offset fears of a deterioration in Sino-US relations, strained over such issues as human rights and arms proliferation.

"We are putting into place one dimension of the overall policy of President Clinton's programme of broad constructive engagement with China," Mr Perry said.

Earlier, the US official had warned in a lecture to People's Liberation Army officers of the dangers of an arms race in Asia arising from a proliferation of nuclear weapons. Mr Perry called on China to exercise restraint in the transfer of nuclear technology. The US has long suspected that Beijing has been assisting Pakistan develop a nuclear capability.

"We are on the brink of a nuclear weapons race on the sub-continent, where relations between India and Pakistan have been tense for years," Mr Perry said. "As in Korea, China has a huge staka in this issue, since it involves nations on its border. With so much at stake, it is essential that countries with influence in South Asia try to stop the potential arms race before it gathers momentum."

US defence secretary William Perry speaking beneath a symbol of the People's Liberation Army in Beijing yesterday Reuter

Armscor begins policy of openness

South Africa's state arms company, Armscor, under official scrutiny for a Middle East arms sales fiasco, said yesterday it would publish details of arms purchases for the first time, Reuter reports from Pretoria.

Armscor issued a written monthly bulletin of defence products sought by the South African military and listed the companies awarded contracts. "This is giving transparency to a critical aspect of the acquisition programme," said Mr Andre Buys, Armscor's planning division chief.

Companies approved to bid for defence contracts will also be able to have access to an electronic bulletin board updated daily with information on defence purchase requirements. The bulletin "will list all the major product and service requirements of the National Defence Force for which possible contract opportunities exist at both main and sub-contract level".

Armscor's chief executive, Mr Tielman de Waal, said the bulletins were also available to foreign defence contractors.

The state-owned corporation said the lifting of international arms sanctions against post-apartheid South Africa made possible the new openness. Armscor's previous activities had been shrouded in secrecy to protect its often clandestine acquisition of foreign defence equipment.

The activities of Armscor, which licenses arms sales, came under fire this month when the sale of rifles and quantities of ammunition to a shadowy Lebanese arms merchant turned sour.

The justice minister, Mr Dullah Omar, appointed a three-man commission to investigate South African arms sales.

Asked if Armscor proposed the same sort of openness in weapons sales as it announced for its purchases, Mr Buys said South Africa was considering contributing to the UN register of world arms sales. "The whole question of arms control is being investigated."

A pact shaped in distrust

John Burton on the US-North Korea nuclear accord

When the US and North Korea sign their nuclear agreement on Friday, it will set in motion a train of events that could last almost a decade before the dispute ie completely settled.

The goal is to remove suspicions about North Korea'a nuclear programme while breaking Pyongyang's diplomatic isolation and providing it with much-needed economic aid in the form of new nuclear reactors and other energy supplies.

The accord consists of phased steps designed to provide each side with leverage to make sure that the other adheres to its promises. This reflects the deep mutual distrust which exists between the US and North Korea and whicb prevented an agreement being reached earlier.

Mr Han Sung-joo, the South Korean foreign minister, yesterday described the agreement as a combination of steps in an "incremental process".

The elements of the deal, details of which will be announced on Friday, include North Korea abandoning its nuclear programme and accepting full international inspections of its nuclear facilities in return for improved ties with the US and economic aid. Pyongyang also promises to resume negotiations with South Korea on the implementation of their 1991 non-nuclear pact.

Many pitfalls lie along the way, with parts of the carefully calibrated timetable remaining unclear.

The first steps are likely in the next month or two. They incinde North Korea returning to tha nuclear Non-Proliferation Treaty and accepting ad hoc and regular inspections at its Yongbyon nuclear complex from the International Atomic Energy Agency. North Korea threatened to withdraw from the NPT in March 1993 and later "suspended" its treaty obligations, which provoked its confrontation with the US and South Korea.

At the same time, North Korea will freeze its programme. This includes suspending the operation of its 5MW graphite reactor and halting construction of two larger 50MW and 200MW reactors, which can produce considerable amounts of weapons-grade plutonium. It will also close its suspected nuclear reprocessing centre. All these facilities are later to be dismantled.

North Korea will place in dry storage spent fuel that it withdrew from its 5MW reactor last spring. The fuel, which could produce enough plutonium for four or five nuclear bombs, will later be transferred to a third country for reprocessing.

But Pyongyang will only accept at a later stage special inspections by the IAEA to determine if it had reprocessed plutonium for one or two nuclear bombs in 1989. The IAEA wants to examine two undeclared nuclear waste dumps to answer this question.

The special inspection demand triggered North Korea's threatened withdrawal from the NPT and lies at the core of the dispute. North Korea may only allow the special inspections once equipment for new and safer light-water reactors is delivered over the next several years, but before they are completely built.

North Korea has agreed to resume negotiations with South Korea on their 1991 denuclearisation treaty. However, South Korea is demanding inspections that are more intrusive than those to be conducted by the IAEA, and prospects for those talks remain uncertain.

Disagreements over South Korea'e demand for spot or challenge inspections of euspected nuclear facilities in the North led to the breakdown of the talks in 1992.

In return for the North Korean concessions, the US has offered several promises. They include a guarantee to provide North Korea with two 1,000MW light-water reactors and alternative enargy supplies while they are being constructed during the next decade. This would help solve North Korea'a chronic energy shortage, which has been one of the main reasons for its declining economy.

The light-water reactors are dependent on imported enriched uranium for fuel, making it easier for the US and other countries to maintain control over the future North Korean nucleor programme. They also produce plutonium less suitable for the manufacturing of atomic weapons. The current graphite reactors use uranium mined in North Korea.

The light-water reactors will be supplied by an international consortium, probably led by the US. But the reactors are expected to be built by South Korean companies using a Westinghouse design. Seoul will also provide the bulk of the financing for the $4bn project, although contributions are also expected from Japan and other countries, according to Mr Han.

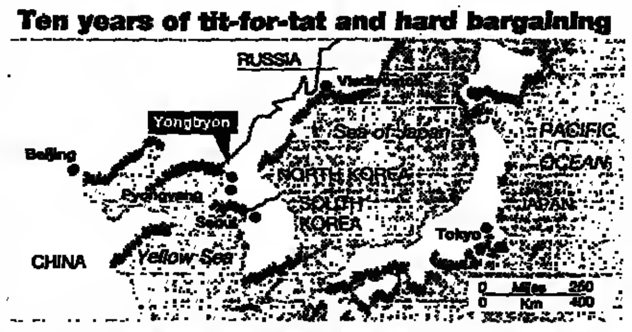
In the meantime, North Korea will start receiving heavy fuel oil fuel supplies from an international consortium to replace energy lost from the shutdown of the graphite reactors.

The US has also promised to improve ties with North Korea by establishing liaison offices. It is also expected to ease its trade embargo against North Korea and possibly offer a pledge not to launch a nuclear attack against North Korea, a guarantee Pyongyang has long sought.

However, the pace of US-North Korean negotiations may be determined by progress in the inter-Korean talks, although Mr Han said there were "not one-to-one preconditional constraints" between the two.

South Korean has insisted on linking the resumption of inter-Korean talks with the US-North Korean accord out of concern that Pyongyang is trying to drive a wedge between Seoul and Washington on the nuclear issue.

Ten years of tit-for-tat and hard bargaining



1985 North Korea signs nuclear Non-Proliferation Treaty (NPT) but refuses to sign safeguards pact to allow International Atomic Energy Agency (IAEA) inspection.

1991 North, under mounting pressure, says it will allow inspection as soon as US begins removing nuclear weapons from South Korea; South declares there are no nuclear weapons on its soil; two Koreas agree to ban nuclear weapons and hold talks to ensure compliance.

1992 North signs safeguards agreement; IAEA says after visit to Yongbyon complex that North is moving ahead with programme that could produce weapons-grade plutonium.

1993, Jan-May Talks between two Koreas on mutual inspections collapse; North says it will pull out of NPT; IAEA rules North has violated nuclear accords; UN Security Council calls on North to open sites; US and North agree to talk.

1993, June-Nov North agrees to suspend withdrawal from NPT and to renew talks with IAEA; inspectors report that access to two sites still restricted; North says it will not yield and is prepared to suffer sanctions or even war.

1994, Jan-May After further talks with US, North agrees to inspection of seven declared sites; South says North hampering inspectors at Yongbyon and North, saying confrontation could lead to war, walks out of meeting with South; US decides to deploy Patriot missiles in South; North invites inspectors to Yongbyon but rejects taking of samples.

1994, June-Oct US says it will seek UN sanctions and sends former President Jimmy Carter to negotiate with North's President Kim Il-sung; US agrees to talks with North in Geneva after Carter receives assurances from North; Kim dies but North soon agrees to continue talks with US; talks are difficult, but, after many weeks, agreement is reached.

Source: FT, Reuter

Where politics is a commercial break

By Jurek Martin in San Diego

US MID-TERM ELECTIONS November 8

By most counts, Ms Kathleen Brown, the Democratic candidate for governor of California, "won" her televised debate with Mr Pete Wilson, the Republican incumbent, last Friday night. For once, she seemed confident, he came ovar as ungracious and she probahly scored among women voters by effectively rebutting his charges that she did not care about the victims of violent crime with the disclosure that her daughter had been raped and her son mugged.

If candidate debates were all there were to winning elections, Ms Brown might have reason to believe she was at last on her way to reducing the 13-point lead Mr Wilson has accumulated among likely voters in the latest Los Angeles Times poll. Even the fact that he agreed to only one debate and ensured it was broadcast only in Friday evening "drive-time" were acceptable conditions given Ms Brown's need to energise her supporters.

But across the country, and especially in big mass media states such as California, political campaigns prefer to leave as little as possible on the air waves to chance. Instead they buy the time and plug their own messages, secure in the calculation that six out of 10 Americans, and no fewer than nine out of 10 Californians, to whom television is a particular addiction, will be paying some attention.

Virtually all of them have only one intent – to tear down the opposition. For a week California has enjoyed an unrelenting diet, from breakfast to the small hours, through soap operas and Monday night football, of lies, damn lies and highly suspect statistics.

Unedifying it may be, and costly it certainly is, but it can pay quick, if not necessarily ultimate, dividends. Republican Congressman Michael Huffington has already forked out a record $12m-plus to undermine California Senator Dianne Feinstein and will probably double that by election day on November 8.

That brought him from obscurity to near parity, though his surge now seems to have been stemmed and Ms Feinstein holds a seven-point lead. But this has been less the result of her vicious counter-attacks than national and local media attention on his record and the New Age associations of his wife, the former Arianna Stassinopoulos, considered odd even by Californian standards.

The basic Huffington message is, according to an especially ubiquitous commercial, "Feinstein - a career politician who will say or do anything to stay in office." She is also "slimy" (a quote from a local newspaper) and given to brokering "sweetheart deals" in Congress that favour her unnamed "supporters".

Even when the Republican's commercials are notionally positive – one concludes dreamily "Michael Huffington, US Senate. Finally a reason to believe" – the voice-overs disclose nothing that he actually believes in, except no new taxes.

Ms Feinstein, who has a serious record to run on in the Senate and as mayor of San Francisco, does not confine herself to the high road. One of her commercials, quoting an old story in the Wall Street Journal, charges that Mr Huffington's company "repeatedly sold illegal shock batons to foreign dictators" (Singapore, as it turns out, which may restrict any Asian travel plans she has in mind). It does not try to explain the relavance of this to the voters of modern California.

Her latest refined commercial pitch is to depict Mr Huffington as "the Texas millionaire California can't trust". This slogan, together with graphics featuring lots of dollars, manages to embrace his wealth, the charge that he delayed establishing legal residence in California for tax purposes, and even a congressional record of alleged hig spending.

Feinstein, left, accused of being a career politician, and Wilson, right, whose budget record is blatantly distorted

Mr Wilson and Ms Brown have been little better. On capital punishment he tars her indiscriminately with guilt by familial association by recalling that her father and brother, both previous governors, opposed the death penalty.

Her commercials quite blatantly distort his budget battles of two years ago in the depths of the recession, replete with a black and white mugshot of the governor that might have been taken from an FBI "most wanted" list.

One reason for Mr Wilson's lead is his support for, and her opposition to, Proposition 187, the "save our state" referendum on the November 8 ballot that would deny a wide range of state-provided social services to illegal immigrants.

It is a serious issue, involving federal and state responsibilities, worthy of serious consideration and hoth actually agree that even if it passes, as the polls say it will easily, it will end up eventually in the US Supreme Court.

Writing in the San Diego Union-Tribune this week, Mr Robert Laurence suspects that all these smear campaigns are basically intended to turn the larger public off politics, with only the fervent minorities bothering to vote. "And that," he concludes sadly, "tells you what the candidates themselves really think of tha American democratic process."

Foreign groups 'should get' US research funds

By Nancy Dunne in Washington

US subsidiaries of foreign companies should be made eligible for millions of dollars of US government research and development funds if they can prove their work is beneficial to the US technology base, a congressional report suggests.

The report, multinationals and the US technology base, released yesterday by the office of technology assessment, said "a national benefits test" could be applied equally to both foreign and domestic companies, consistent with the principle of national treatment which underlies the world trading system.

With the report, the OTA enters an debate over whether subsidiaries of foreign companies, which contribute to the US economy by amploying American workers, ought to benefit from government funding and trade promotion activities.

The OTA suggested several criteria for the participation of foreign companies in US technology projects, including:

- Measuring a subsidiary'a research and development presence in the US, perhaps as a percentage of sales.
- Requiring specific technological and financial contributions for the project.
- Requiring a company to conduct all the project's R&D (or a negotiated percentage) in the US.
- Agreeing not to license the technology abroad, but to export products resulting from the R&D.

The European-American chamber of commerce, which has been pushing a multilateral investment pact among the industrialised countries, announced its support for the proposal. "It would be aven more useful for such a test to be formulated jointly with our European partners, yielding a test that would apply equally to European and US companies on either side of the Atlantic," said Mr William Berry, president of the group.

The chamher attacked another suggestion in the report that the US also consider "a two-tiered policy regime" which would treat foraign-owned companies the same as US companies on the condition that home governments offer comparable treatment and market access.

"Conditional national treatment is a dangerous precedent because the conditional can be completely unrelated and arbitrary," said Mr Berry. The report said "reciprocity" requirements could "increase tensions in international relations, leading to a variety of retaliatory actions."

The Organisation of International Investment (Ofii), which represents foreign companies that invest in the US, said the US gained from foreign technology development when it allowed foreign-owned companies to participate in US government-funded technology projects.

"If foreign-owned US companies are held hostage to the trade and investment practices of their home countries, the US would be building a wall around itself," said Ms Nancy McLernon, of Ofii.

Multinotionals ond the US Technology Base; ovailoble from Superintendent of Documents, P.O. Box 371954, Pittsburg, Pa. 15250-7974; Tel: 202 224-8996, fax: 202 513 2250; $14.

Washington seeks tougher line on mergers overseas

By George Graham in Washington

US anti-trust enforcement agencies have issued new international guidelines asserting their right to act against a broad range of anti-competitive mergers or corporate behaviour overseas.

The guidelines were issued jointly by the Department of Justice and the Federal Trade Commission for a 60-day comment period and replace rules issued in 1988, under President Ronald Reagan, which shielded most foreign companies and joint ventures between US and foreign companies from US anti-trust enforcement, unless they affected US consumers.

In the draft, the Clinton administration confirms a 1992 policy reversal under which action may be taken against foreign anti-competitive behaviour that affects US exporters as well as consumers.

The Justice Department earlier this year launched its first case under the new policy against Pilkington, the UK glass company, and anti-trust lawyers say the department is investigating allegations of pressure applied to huyers by the Japanese plate glass industry.

This investigation could bolster the US trade representative's efforts to get Japan to open up its glass market, but could also provoke an international battle over the extension of US jurisdiction beyond its borders.

The guidelines also "take a hroader view of anti-trust jurisdiction involving imports than the 1988 guidelines", the Justice Department said.

Reflecting a 1993 Supreme Court decision in a case between Hartford Fire Insurance and California, the guidelines say that the US may act against a foreign cartel that colludes to raise prices, if the cartel members make substantial sales to the US.

US efforts to assert its anti-trust jurisdiction overseas caused considerable friction in the 1970s. Countries such as Canada, France and the UK even passed laws prohibiting companies from supplying documents to the US in retaliation for US action against a uranium cartel.

The guidelines say that there may be less conflict between US and foreign anti-trust interests as "more countries adopt anti-trust or competition laws that are compatible with those of the US".

In pursuing a foreign cartel, they say, the Justice Department and the FTC "would ordinarily notify tha anti-trust authority in the cartel's home country."

"If that authority were in a better position to address the competitive problem, and were prepared to take effective action to address the adverse effects on US commerce, the agencies would consider working co-operatively with the foreign authority or staying their own remedy pending enforcement efforts by the foreign country," according to the guidelines.

The guidelines say the Justice Department and FTC will follow the principle of comity, under which countries respect one another's legal acts, but insist that the administration's determination on the application of comity cannot be challenged in the courts.

Brazil GDP grows 4.1%

Brazil's gross domestic product grew 4.1 per cent last year, slightly below initial forecasts, the government's statistics institute IBGE announced yesterday, reports Angus Foster in São Paulo. Taking into account population growth, per capita income rose 2.6 per cent.

Most growth came from manufacturing, recovering from two years of recession. Output of consumer durables increased nearly 28 per cent and capital goods 10 per cent. Agricultural output fell 1.2 per cent. Inflation reached 2,081 per cent. This year it is expected to be much lower after launch of a new currency, the Real.

Driving rains hit Houston

Intense rains of up to two inches an honr shnt down much of Houston yesterday as the death toll reached seven in flash flooding across south-eastern Texas, Reuter reports from Houston.

The whole region was under a flood warning after up to 20 inches of rain inundated parts of the area over 36 hours. Driving rains lasted through the night with weather forecasters saying there was no relief in view from a Gulf of Mexico moisture system stalled over the area. Many major roads were impassable because of stretches of high water.

Oil refineries remained open in Houston's vast refining and petrochemical complex.

US duties 'broke fair trade rules'

By Frances Williams in Geneva

The US last year breached international fair trade rules in levying anti-subsidy duties on imports of hot-rolled lead and bismuth carbon steel from France, Germany and Britain, a General Agreement on Tariffs and Trade panel has decided.

Though the amount of trade involved is small – about $19m a year – the judgment corroborates repeated allegations by Washington's trading partners that US anti-subsidy (and anti-dumping) rules are unfairly biased against imports. It also suggests that the US could be found in breach of Gatt rules in a second panel case, this time involving countervailing duties imposed on carbon steel flat-rolled products from six European Union states.

The Gatt panels arise from a wave of anti-dumping and countervailing duty suits brought by US steel producers in 1992 following the expiry of voluntary export restraint arrangements. Though most of the 70-odd suits were later dismissed by the US International Trade Commission, some definitive duties were imposed.

The first panel report, which went to Washington and Brussels last Friday, broadly upholds the EU complaint that US methods of calculating countervailing duties artificially inflate the level of alleged steel subsidies. However, the panel did not accept every aspect of the EU case.

The report says the US commerce department failed to give the steel exporters involved sufficient opportunity to present evidence. It was also wrong to treat debt forgiveness by private banks as a subsidy and to assume subsidies to a state-owned company were "passed through" on privatisation.

The panel nevertheless ruled that the US was entitled to average subsidies over a 15-year period and to include a risk premium in the discount rate it applied to calculate the benefit of certain subsidies.

Daewoo unveils big expansion plan

By Kevin Done, Motor Industry Correspondent in Birmingham

The Daewoo group, South Korea's third largest car maker, is planning to quadruple its worldwide production capacity to around 2m cars a year by 2000, Mr Woo-Choong Kim, Daewoo chairman, said yesterday.

Daewoo would prodnce around 500,000 cars this year, and was planning to raise output to 700,000 in 1995.

The group has embarked on a five-year, $5bn investment programme from 1995 to 1999, said Mr Kim, which would raise capacity in South Korea to around 1m cars a year with a further 1m units of capacity being created overseas, most importantly in Romania, India, China and Uzbekistan.

Tha Daewoo expansion is one of the most ambitious projects launched by any of the world's leading car makers in recent years, as it seeks to break into the ranks of the world's top ten vehicle manufacturers.

Mr Kim said that the group had completed this month the acquisition of a 51 per cent stake in Automobile Craiova, the small Romanian carmaker, formerly known as Oltcit.

"We think we are going to produce about 100,000 cars a year in Romania starting at the end of 1996," said Mr Kim.

Daewoo could begin with the local assembly in Romania of kits supplied from Korea, but it planned to start production in 1996 of a new small car currently under development as the group's first world car.

This would be a 1.3 and 1.5 litre supermini, the size of the Ford Fiesta or Renault Clio. Daewoo also planned production of this car in India, and China as well as in Romania and in Korea.

"We are going to produce engines and transmissions in Romania," Mr Kim said. Total investment planned for the project was around $500m, he said, and cars would also be exported to other east European markets.

Production would begin in Uzbekistan next year with plans to raise output to 200,000 a year by 2000. Daewoo was investing $800m in this project in a 50/50 joint venture with the Uzbekistan government, said Mr Kim.

The group was planning production of its Cielo small family car as well as the Tico range of mini cars and light commercial vehicles with sales in the markets of central Asia and Russia.

In India Daewoo had just purchased a 51 per cent stake in DCM Toyota, an ailing truck maker, which it planned to transform into a car maker with a capacity for 200,000 cars a year by the end of the decade.

It planned a investment of around $500m in India. Production of the Daewoo Cielo (to be called the Nexia in the UK, where it goes on sale next year) would be followed later by the introduction of the group's new world car.

Mr Kim said that Daewoo had received preliminary approval from the Chinese government last year to establish co-operative projects with the First Automotive Works for the manufacturing of both components and a passenger car which would be a joint development project with China with production possibly beginning in 1997.

Investment in the China project could total $2bn, shared equally by Daewoo and its Chinese partner. Daewoo launched its cars in Europe for the first time at the Birmingham motor show yesterday with sales in tha UK planned to begin in 1995. It has scheduled a launch in the North American market in 1996.

Mr Kim said that the group's main growth would come in the developing markets of Asia, east Europe and possibly Latin America, rather than in west Europe and the US, however.

"The newly created markets we are going into are growing much faster than tha main world markets. We cannot sell more than 100,000 cars in west Europe. We are not dependent on west Europe."

French urge UK to join transport aircraft project

By David Buchan in Paris

France yesterday urged the British government to join the European project to build a new military transport aircraft.

Mr Henri Conze, procurement chief at tha French defence ministry, said UK participation was "fundamental" to the project because the British might buy 60 of the planned 300 aircraft. Also, British involvement would help ensure that the Airbus consortium would carry out the project, he said.

Last month, Airbus announced plans to establish a new military equipment subsidiary to manage the development and production of the Future Large Aircraft (FLA), Europe's proposed military transport plane. The separate military subsidiary would include the Italian aerospace company, Alenia, as well as the four Airbus partners, Deutsche Aerospace, Aérospatiale, British Aerospace and Casa, of Spain.

The move was designed to strengthen the FLA group and to help market the aircraft to potential customers – including the UK's Royal Air Force.

Balladur: will urge Major to back European venture

British Aerospace has been lobbying hard to persuade the UK defence ministry not to buy any more Lockheed transport planes from the US but to join the FLA project endorsed by France, Germany and some other European governments.

Mr Conze predicted that Airbus could build the FLA 35 per cent more cheaply than the traditional cumbersome forms of international collaboration. "But how can we achieve this if BAe is not in the programme, or if BAe is in, but the UK government is not in?" he asked during yesterday's opening of Euronaval, the biennial maritime equipment exhibition which France has opened for the first time to other Europeans.

At next month's Franco-British summit, which is likely to be dominated by defence issues, the French prime minister, Mr Edouard Balladur, is expected to press Mr John Major, his UK opposite number, to go with the FLA rather than Lockheed. France is also hoping that Mr Michael Heseltine, the president of the board of trade, will show the same support for the European option as he did in the Westland affair in the mid-1980s.

● CMN, the French shipbuilder which recently failed to reach agreement to take over the bankrupt Swan Hunter yard in Newcastle, yesterday announced a marketing agreement with BAe Dynamics to put the latter's missiles on CMN's range of missile boats.

Peugeot finds a PAL in India

By John Ridding in Paris

Peugeot is to sign a joint venture agreement today with Premier Automobile Ltd (PAL) to establish a manufacturing operation in India for the French motor group.

The project has ambitious objectives to produce 60,000 vehicles a year by 1998 and to capture 10 per cent of the Indian car market by 2000. The investment over the next four years is expected to total FFr1.2bn ($220m).

Peugeot said the project, one of a series of investment plans in India by international vehicle groups, reflected the strong growth potential of the market. He said the Indian car market was growing by about 15 per cent a year and should reach about 270,000 cars in 1994. By 2000 sales were expected to reach 500,000 cars.

Under the agreement, the joint venture, dubbed PAL Peugeot will be controlled by the French and Indian partners. They will both hold about 28 per cent of the shares, with the balance held by institutional investors and the public through a share issue on the Bombay stock exchange.

The joint venture will produce the five door version of the Peugeot 309, a medium-sized vehicle. The cars will be manufactured at PAL's Kalyan plant, 50km north of Bombay. The first 309s are expected to leave the production line next year, with volumes steadily increasing over the following three years. The joint venture agreement includes the re-tooling and modernisation of the Kalyan plant, which currently produces the NE118, a small car which uses Nissan engines. In the first year of the project, Peugeot estimates that between 5,000 and 6,000 309s will be built, with a local content ratio of about 15 per cent. The proportion will rise to about 80 per cent by 1998.

The 309 will be a rival to the small cars produced by Maruti, the dominant player in tha Indian car market, which has partnerships with Japanese manufacturers. Competition is expected to intensify as other international groups, including Ford and General Motors, start production in India.

WORLD TRADE NEWS DIGEST

Thais in Manila airport project

Italian-Thai Development, Thailand's largest construction company, confirmed yesterday it had signed a memorandum of understanding with the Philippines government for a $3bn project to turn the former US Clark airbase north of Manila into an international airport. The project would be a "build-operate-transfer" scheme to convert the airbase into a passenger and cargo airport with an aircraft maintenance centre by the end of 1997; to develop a "mass transit" railway system from Clark to Makati, the Metro Manila business district, and on southwards to the industrial zone south-east of the capital; and to expand and improve road links to Clark.

It is not clear, however, how the plan to redevelop Clark will fit in with a similar and further advanced project for nearby Subic Bay, the former US naval base, which also has a big airport. *Victor Mallet, Bangkok.*

Caterpillar in China sales drive

Caterpillar, the US manufacturer of earthmoving and mining equipment, expects its sales in China to increase to $500m a year by 2000. Mr Donald Fites, the company's chairman, who is in China to sign two joint venture agreements to produce hydraulic excavators and diesel engines, said Caterpillar sales in China last year were between $50m and $100m.

Caterpillar is investing $30m in the ventures with the Xuzhou Construction Machinery Group and Shanghai Diesel Engine. The company is also planning to establish a holding company to oversee its China business. Mr Fites said China's drive to improve its infrastructure, including roads and ports, provided great opportunities. *Tony Walker, Beijing*

GM to buy Japanese steel

Kawasaki Steel has signed a contract with General Motors to supply hot and cold-rolled steel sheet for vehicle body parts and components. The contract represents a shift in GM's "buy American" policy, which the Japanese steelmaker believes has prevented it from receiving orders from GM for 20 years. Ford terminated purchases from Kawasaki in 1991 in a "buy American" policy, while Chrysler stopped buying from the Japanese company after Japanese steelmakers were hit by anti-dumping charges in 1992. Recent price increases by US steel companies may have been a factor behind GM's policy shift, Kawasaki said. *Michiyo Nakamoto, Tokyo*

Vietnam seeks foreign tenders

Vietnam is asking foreign companies to tender for two hydro electricity plants, Ham Thuan and Da Mi, which will require investment of $6.5m. Mr Tran Tuan Anh, director general of Vietnam's state planning committee, said a feasibility study for the plants has been completed with help from the Japanese government. The plants will be built on tributaries of the Dong Nai River, 150km north-east of Ho Chi Minh City. *Manuela Saragosa, Jakarta*

Toshiba to sell Indian VCRs

India's electronics industry has won its biggest export order, to supply 100,000 video cassette recorders worth about $30m to Toshiba, the Japanese electronics combine. The VCRs will be made by Videocon, a leading Indian consumer electronics group, and will be sold worldwide under the Toshiba brand. Toshiba said it might increase its purchases to 300,000 machines a year and might also buy colour televisions from Videocon. The VCRs use Toshiba technology. *Stefan Wagstyl, New Delhi*

NEWS: UK

Carmaker creates 1,450 jobs as demand surges

By Kevin Done, Motor Industry Correspondent, in Birmingham

Rover, the leading UK carmaker, is creating 1,450 jobs at its British plants in response to strongly rising sales, particularly in export markets.

About 1,000 of the jobs will be at the main Rover plant at Longbridge, Birmingham, in vehicle assembly and engine production.

A further 300 workers will be recruited at the Land Rover plant at Solihull, near Birmingham, to support rising production of the new Range Rover luxury four-wheel-drive vehicle, while 150 jobs will be added at the body and pressings plant at Swindon in south-west England. The recruitment halts the long decline in the size of the workforce of Rover (formerly British Leyland), which has fallen from 41,700 in 1990 to 33,000 last year. The workforce has been cut by nearly two-thirds from 96,000 in 1984.

Rover, taken over by BMW of Germany in January, said recruitment of the workers would take place during the next six months. The workforce worldwide was being increased to about 35,500 to meet increases in production and future model programmes, which formed part of the group's £1.5bn, five-year investment plans.

Next year Rover will replace its current 200/400 range and launch a new range of MG sports cars. The company has added 1,300 jobs at its Land Rover Solihull plant in the past 18 months to support rising production of its Discovery four-wheel-drive sports/utility vehicle.

Mr John Towers, Rover group chief executive, said output for the full year was expected to rise to about 492,000 from 430,200 in 1993 and 404,900 in 1992. Production was forecast to rise well above 500,000 in 1995.

Rover retail sales in the first nine months worldwide rose by 9 per cent to 371,806 from 341,075 in the corresponding nine months last year with sales in continental Europe up by 20 per cent, in Japan by 26.6 per cent and in North America by 127 per cent.

Rover sales increased by only 3.2 per cent in the UK market, but Mr Towers said the group was willing to accept a fall in its UK market share, as long as this was more than offset by rising exports in order to reduce its current heavy domestic reliance.

"Wa want to be less dependent on the cyclical UK market. Being less dependent on UK market share means that we can market our cars, as we want to. I would be happy with a lower market share in the UK, so that sales and marketing can be in line with the positioning of the Rover brand rather than responding to business pressures."

Rover's share in the UK fell to 12.4 per cent in the first nine months this year from 13.2 per cent in the corresponding period a year ago.

"I would be happy with 9-10 per cent, but we have to build up the export markets to balance this," said Mr Towers.

● Ford and Vauxhall, the UK offshoot of General Motors of the US, forecast yesterday that sales of new cars in the UK would total about 1.92m in the whole of 1994, an increase of nearly 8 per cent from 1.78m last year.

The rate of growth has slowed significantly in the last four months, however – with particular weakness in sales to private buyers – forcing carmakers to lower their forecasts for the year.

But the leading UK dealer organisation attacked the carmakers for overpricing cars. Mr Alan Pulham, director of the National Franchised Dealers Association, said that "prices of new cars could be cut by as much as £2,000 if manufacturers abandoned two-tier pricing and stopped adding expensive specification items purely to influence corporate buyers.

Prices could be reduced by 10 per cent or about £1,000 on an average saloon car if manufacturers stopped giving fleet buyers excessive discounts at the expense of the private buyer, said Mr Pulham.

Premier sets out stance on IRA arms

By Philip Stephens in London and John Murray Brown in Belfast

Mr John Major, the UK prime minister, yesterday signalled that a readiness by the IRA to hand over its Semtex explosive and detonators will be of the first tests applied by his government to the long-term intentions of the republican movement.

As Conservative ministers prepared for a meeting which is expected to pave the way for a positive but limited response to the cessation of violence, Mr Major told MPs that the issue of the IRA's armaments would be "crucial" to the process.

But, answering questions in the House of Commons, he appeared to suggest that, initially at least, the government was prepared to differentiate between guns and explosives. He said: "The question of armaments and especially Semtex and detonators, perhaps more than guns, are crucial issues that will have to be dealt with."

Downing Street officials rejected any suggestion that he was signalling that the IRA might be able to keep its guns. But senior unionist politicians in Northern Ireland have raised the possibility that the surrender of IRA weapons might be phased, with explosives and heavy weapons surrendered first. The argument is that explosives could be used only in an offensive capacity.

Sir James Kilfedder, the Ulster Popular Unionist MP, told Mr Major yesterday that until the terrorists handed over their guns and Semtex there was a danger that they would be used by breakaway paramilitary groups.

The unionists estimate that the IRA still has about two tonnes of Semtex as well as more than 1,000 high-velocity rifles.

Mr Major and senior cabinet ministers are expected to agree as early as tomorrow to respond formally to the IRA ceasefire by announcing that it is now the government's "working assumption" that the violence has ended for good.

Tories attacked by Labour MPs over 'corruption'

By James Blitz

The government was yesterday forced on to the defensive over allegations of "sleaze" inside the Conservative party as opposition MPs pressed home claims that leading Tories were guilty of corruption.

In the first prime minister's question time in the House of Commons since the summer recess, Mr John Major, the prime minister, issued a staunch defence of his predecessor, Baroness Thatcher. There have been suggestions that her son had received £12m in commissions from a 1980s arms deal.

The prime minister said Lady Thatcher had "acted with complete propriety throughout her long and distinguished period as prime minister of this country".

He also called on Labour MPs to provide firm evidence of any impropriety by his predecessor, rather than "peddling" speculative remarks.

However, amid claims that Mr Mark Thatcher had been heavily involved in the Al Yamamah arms deal between the UK and Saudi Arabia, Labour MPs continued to call for further investigation.

Mr Tam Dalyell, Labour MP for Linlithgow, claimed in the Commons that Sir Clive Whitmore, the former permanent under-secretary (a senior grade in the civil service) at the Ministry of Defence, had told Lady Thatcher of his disquiet over the involvement of her son in the arms negotiations.

Mr Nicholas Soames, minister responsible for the armed forces, firmly rejected the claim, saying: "Sir Clive Whitmore has already denied the veracity of that story."

Labour MPs were also hoping that the Commons public accounts committee, the most prestigious of the all-party select committees, would launch an investigation at a private meeting today into Mr Thatcher's involvement.

Yesterday, replying to a call from Mr Paul Tyler, a Liberal Democrat MP, for an assurance "that your administration is now a sleaze-free zone," Mr Major insisted: "I am as concerned as any member in this House or any person in this country that we should have the highest standards in public life."

Mr Major later insisted that a report into allegations of insider share dealing against Lord Archer, the former conservative party vice-chairman, should not be published.

Mr Major said there was no legal provision for such a move.

Famous team will support campaign by companies to win business outside Britain

Football diplomacy wins high score

By Chris Tighe in Newcastle

Football diplomacy in the cause of economic regeneration is the new weapon of Newcastle United Football Club, the Premiership leaders.

Sir John Hall, United chairman and a champion of his native north-east, has decided to turn his team's success into a platform for local companies seeking new business overseas.

When Newcastle play Bilbao in Spain in a fortnight, 20 businessmen from north-east England will be at the game, cheering on the Magpies before meetings the next day aimed at building on the team's expected victory.

Football diplomacy has already scored a success for Sir John, who recently invited executives from Samsung, the South Korean group then seeking a new European site, to St James Park where they saw Newcastle beat Royal Antwerp 5-2.

This week Samsung announced its new £450m electronics complex was to be located at Wynyard Park, Cleveland, on land owned by Sir John's family business Cameron Hall Developments.

If, as Sir John and manager Kevin Keegan intend, United's winning streak continues into future legs of the Uefa cup, more business people will accompany the team on its European trips, with the promise of support at marketing functions from Sir John, Kevin Keegan and the players to reinforce the image of success.

Robert Lee of Newcastle United on the attack against Antwerp in the first round of the Uefa cup *Photograph: Chris Cole*

Sir John said: "We take our money from the business community and we want to put something back. I said, how can we help the regeneration of the area?" The 20 business people for the Bilbao trip will have to pay travel costs of about £400 ($632) each. They are being sought by Mr Ron Seymour, trade missions manager for the Northern Development Company, the economic regeneration body for north east England and Cumbria.

Those going along need not be United supporters. "Business is business," says Mr Seymour, who operates from the NDC's Middlesbrough office.

● Mr Michael Heseltine, trade and industry secretary, insisted yesterday that the government is committed to the regional aid policy which this week helped win the Samsung investment for the UK.

Mr Heseltine said the idea that the system of regional selective assistance grants, under which the Samsung investment has been offered £58m, would be abandoned was "trivia".

He said: "There are no question marks over the programme." Asked on BBC Radio 4 yesterday if he could guarantee that grants for next year would not be less than the current year, he said: "These programmes I am dealing with are spread over several years and my department is actively negotiating across the world in order to continue this inward investment into Britain."

RSA grants are made to encourage job-creating investments in areas of Britain needing economic regeneration. In 1993-94 £341m was spent.

UK NEWS DIGEST

Investors urged to pick London

An attempt to attract more manufacturing investment to London was launched by Mr Tim Eggar, industry and energy minister, in a move that marks the first concerted attempt to reverse the decline of the capital as a manufacturing centre.

The Greater London manufacturing workforce has dropped from more than 800,000 in the early 1970s to 300,000. This is just 11 per cent of the areas's total workforce, compared with s nationwide figure of 20 per cent. Mr Eggar's initiative also aims to ensure existing manufacturers get the best deal from central and local government. It comes a day after Samsung, the Korean industrial group, announced plans to build a £450m manufacturing plant in the north-east of England, eventually creating 3,000 jobs.

He said this showed how development agencies, local authorities and Training and Enterprise Councils (TECs) elsewhere in the UK were working effectively with government to attract new manufacturers. "Other regions of the UK are old hands at this," he told the parliamentary manufacturing industry group.

Mr Eggar said London could not escape some of the blame for undervaluing its manufacturing sector. "The false stereotype of the London businessman with his pinstriped suit and bowler hat has been equally misleadingly replaced by the image of a young man with red braces wheeler-dealering in front of an exchange room computer screen," he said. An anti-manufacturing culture had been perpetuated. *Andrew Baxter*

Underwriters are criticised in Feltrim Names' court case

Underwriters of three Feltrim syndicates at the Lloyd's insurance market ran their businesses like imprudent gamblers, the High Court in London was told yesterday. The syndicates' total exposures to risk were not properly calculated and inadequate reinsurance was purchased, Mr Jeremy Cooke said. He was appearing on behalf of more than 1,600 Feltrim Names.

The Names are suing the underwriters for negligence and are seeking to recover losses of some £525m. The losses were sustained between 1987 and 1989 by syndicates 540, 542 and 847, which specialised in catastrophe insurance and were involved in the reinsurance "spiral". The syndicates suffered massive losses after disasters such as the fierce 1987 storms in England and the Piper Alpha oil platform explosion.

The case is the second largest ever brought before the UK courts both in terms of the damages claimed and the number of plaintiffs involved. Only the Goode Walker case, in which more than 3,000 Names successfully sued their agents was larger.

Mr Cooke said that the gap between the total exposures of the syndicates and the levels of re-insurance purchased was too large for any prudent business. Nobody running a business prudently would operate on the basis that if certain events took place the business would be destroyed, he said. This amounted to simply gambling on whether those events would happen, he went on. *John Mason*

Lawyers condemn French forecast about royal divorce

Lawyers for the Prince and Princess of Wales issued a joint statement saying there was no truth in rumours that a divorce had been agreed. The royal couples' solicitors said they wanted to make clear that "there is no-truth in reports which state that it has been agreed that a divorce should take place or that there have been discussions about a financial settlement between the parties."

The French magazine Voici alleged that the couple would divorce in March, with the princess receiving a settlement of £15m. The magazine claimed to have published extracts from a book by Andrew Morton, author of the 1992 best-seller entitled Diana, Her True Story. The new book is due to be published in the UK next month.

Mr Morton's publisher, Michael O'Mara Books, said the article in Voici contained elements from the new book. But it also contained "substantial distortions and falsehoods, especially with regard to the question of divorce and the legal settlement for the prince and princess." *PA News*

Small businesses criticise service received from banks

Small businesses believe UK banks provide worse value for money now than four years ago, says a survey from the Forum of Private Business. The findings, produced by the University of Nottingham on the basis of some 5,500 responses to questionnaires, found that small businesses see transaction charges as the greatest constraint imposed on their activities by their relationships with banks.

It also highlights as significant restrictions on small businesses the interest rates charged and the fear of having overdraft facilities withdrawn. This is the fourth survey of small-business opinion commissioned by the forum, and shows that the sector is increasingly gloomy about the value for money provided since 1990 by each of seven UK high street banks identified in the poll. Barclays is now seen as giving the worst value for money and Royal Bank of Scotland is seen as giving the best. *Alison Smith*

London-Brussels rail fare to be undercut by ferry line

RMT-Oostende Lines, the Belgian cross-channel operator of four ferries and two jetfoils, said it would cut prices on its Ramsgate-Ostend route in order to challenge the Eurostar passenger train link from London to Brussels through the Channel Tunnel. Mr Francis Engelen, Oostende Lines commercial director, said the Eurostar service could lure away nearly half the passengers who use the ferry or jetfoil. The Belgian company's promotional prices will start tomorrow and are due to end on January 8 next year, but might be extended. *Reuter*

Gas complaints increase

The Gas Consumers Council reports that complaints about British Gas, a company that used to be a nationalised utility, increased by 6 per cent in the first nine months of this year after falling 14 per cent in 1993. Prime areas of concern are problems with service and repair work, disputes over gas bills and arguments over contract conditions of the Three Star Service Scheme where complaints have risen by 33 per cent.

Mr Phil Hamer, the council's field director, said the reorganisation of British Gas into new business units ahead of deregulation was affecting service levels. "To maintain customer confidence before competitors enter the market," he said, "the new business units must react quickly to reverse this worrying trend." Mr Bob Frazer, director of operations at British Gas, admitted that there was "a small temporary fallback in some service standards while changes are being implemented." But he said the company was committed to achieving higher standards than at any time in the past. *David Lascelles*

Slow recovery in construction sector is again maintained

Construction orders fell by 5 per cent in the three months to the end of August compared to the three months to the end of May, the Department of the Environment said. Orders were 5 per cent higher than the same period last year, suggesting that the slow recovery in construction activity is generally being maintained. The biggest falls over the three-month period were seen in public housing and housing-association orders, which fell by 33 per cent, and infrastructure orders, which fell by 14 per cent. *Simon London*

Market for mobile calls will become most competitive in Europe

Phones network to double

By Andrew Adonis

Mercury One-2-One, the mobile phone network operator, is to invest £230m on doubling the size of its network over the next 2½ years.

The investment, which continues One-2-One's slow expansion, will give the UK's main population centres four cellular phone networks by early 1997, making Britain the most competitive mobile phone market in Europe.

With more than five mobile phone subscribers per 100 people, the UK has bigger cellular usage per head than any European country outside Scandinavia. Sweden has more than 12 subscribers per 100.

One-2-One now covers only the south-east and west Midlands of England – about 30 per cent of the UK population. The networks of Vodafone and Cellnet, the two largest operators, have national coverage. Orange, the newest network, covers about 65 per cent of the popnlation, and plans to extend to 70 per cent soon.

With 140,000 mobile phone subscribers, One-2-One is small compared with Vodafone and Cellnet, which have about 1.4m and 1.2m subscribers respectively. However, the company claimed to be gaining a third of all sales within its coverage area. Orange, which launched its network in April, refused to disclose subscriber numbers, prompting speculation among analysts that it is gaining customers at a slower rate than One-2-One despite its wider geographical coverage.

Mr Richard Goswell, One-2-One's managing director, said the company did not intend to cut tariffs or handset prices to attract subscribers. "We do not see any need for a price war."

Vodafone and Cellnet are also keen to avoid serious price competition, but have cut the prices of their digital handsets sharply over the past month to less than £100 ($158) for the cheapest.

One-2-One's cheapest handsets sell for £200. Mr Goswell said the company would not increase subsidies for handsets to reduce the price. "I don't believe in giving handsets away: it sends the wrong message sbout their value," be explained.

Cellnet, a joint venture between British Telecommunications and Securicor, made the largest advance of any operator in the summer quarter, with 133,000 net new subscribers compared with 123,000 for Vodafone, which remains the biggest operator.

Warning on dairy investment

By Alison Maitland

The sharp rise in milk prices that will accompany deregulation of the market next month could drive dairy industry investment out of Britain, Northern Foods, one of the country's largest dairy groups, said yesterday.

"The processing industry will be leaner, fitter and more focused," said Mr Neil Davidson, group executive responsible for milk buying. "It may also be somewhere else." Mr Davidson told a dairy industry conference in London organised by Agra Europe, the business information company, that domestic and foreign investment in new technology and capacity had been thrown into doubt by deregulation.

This was because of the "major" price rises being introduced by Milk Marque, the independent farmers' co-operative that will succeed the Milk Marketing Board, and because of possible challenges to Milk Marque by the competition authorities.

The Dairy Trade Federation, which represents milk processors, is considering a formal complaint to the European Commission and the UK's Office of Fair Trading, claiming that Milk Marque's selling system is an abuse of its monopoly position. Milk Marque controls at least 65 per cent of supplies in England and Wales.

Mr Davidson said this made it the largest milk selling organisation in Europe, nearly twice the size of Besnier in France or Nestlé across Europe.

He also criticised the government, saying its original plan to improve UK dairy competitiveness in Europe "has been diluted to the achievement of a crude political objective of abolishing the Milk Marketing Board while protecting the farmer vote."

Welsh project to be investigated

By Roland Adburgham in Cardiff

A Tesco superstore, being built on the edge of Aberdare in the south Wales valleys, has called into question the way in which tbe Welsb Development Agency has run joint ventures.

Grant Thornton, the accountancy firm, has been commissioned by the WDA's new management and the National Audit Office to investigate the circumstances bebind tbe development, the result of a joint venture by the agency, Cynon Valley borough council and Mid Glamorgan county council.

The inquiry report, due to be publisbed in the next few weeks, is expected to make serious criticisms of the way in which the WDA used its powers to recommend changes in the management of joint ventures.

The development was intended to be an important part of tbe regeneration of Aberdare. When the Tesco store opens in March it will employ 250 people in an area of high unemployment.

Among the issues is why the WDA paid £440,000 in 1992 for a site which had been bought by a South Glamorgan company, Offerdemo, only hours previously for £160,000. The process by which the Tesco bid was successful also raised protests.

The Co-operative Retail Society, which was a bidder, threatened to sue. Last week it said: "We are unable to comment for legal reasons."

The Grant Thornton report is expected to say that there was no personal involvement in the deal by Mr David Malpas, managing director of Tesco and a member of the WDA board, and Dr Gwyn Jones, then WDA chairman snd subsequently a Tesco director.

The WDA has has set up a group to ensure greater transparency and consultation in joint ventures and more involvement by the private sector.

Grants from the government provide 46 per cent of the £161m ($254.4m) budget of the Welsh Development Agency, an organisation which is to be slimmed down after a series of abrupt resignations in recent years. Tbe accounting practices of the agency, which has offices in north America and south-east Asia, were strongly criticised by a committee of MPs in June.

BUSINESS AND THE ENVIRONMENT

Old newspapers and card have suddenly become a scarce and expensive commodity

Recyclers on a paper chase

Bernard Simon on implications for US waste recovery

Two of North America's biggest newsprint producers, Vancouver-based Fletcher Challenge Canada and Jefferson Smurfit of St Louis, Missouri, broke with tradition in August when they announced their third price hike of the year.

In addition to the usnal across-the-board increase (in fact, a cut in discounts), the two companies said they would slap a $27.50 (£17.50) per tonne surcharge on all newsprint made from recycled paper. The move reflects a dramatic turnround in the North American market for used newspapers, stationary and cardboard boxes. From being a cheap and readily available alternative to wood pulp (the natural raw material used in paper-making), waste paper has suddenly become a scarce and expensive commodity.

The price of old newspapers (ONP) has almost quadrupled from a low of about $30 per tonne a year ago to $110/tonne. Old corrugated cardboard (OCC) prices sbot up from $45 to $210 per tonne earlier this year, but have since eased to about $80-$120, depending on region.

The paper shortage comes just as North American forest-products companies are in the middle of massive investments in paper de-inking and recycling facilities.

According to the American Forest and Paper Association in Washington DC, 56 recycling projects are currently on the drawing board in the US. The industry is expected to spend about $10bn on new recycling capacity over the rest of the decade.

By 1996, the US paper and paperboard industry is expected to rely on recovered paper for 35 per cent of its fibre supply, against 42 per cent from primary wood pulp. (The rest comes from residues, such as sawmill waste.)

The present shortages reinforce fears that de-inking and recycling plants could struggle to acquire sufficient quantity and quality of old paper. "We need to collect more, especially in the office-waste side," says Jon Ashley, manager of fibre procurement at International Paper, the world's biggest paper producer.

Mark Roseborough, general manager of Newstech Recycling, a waste-paper processing company in Vancouver, notes that "wa're competing against virgin pulp. There'a a choice to be made."

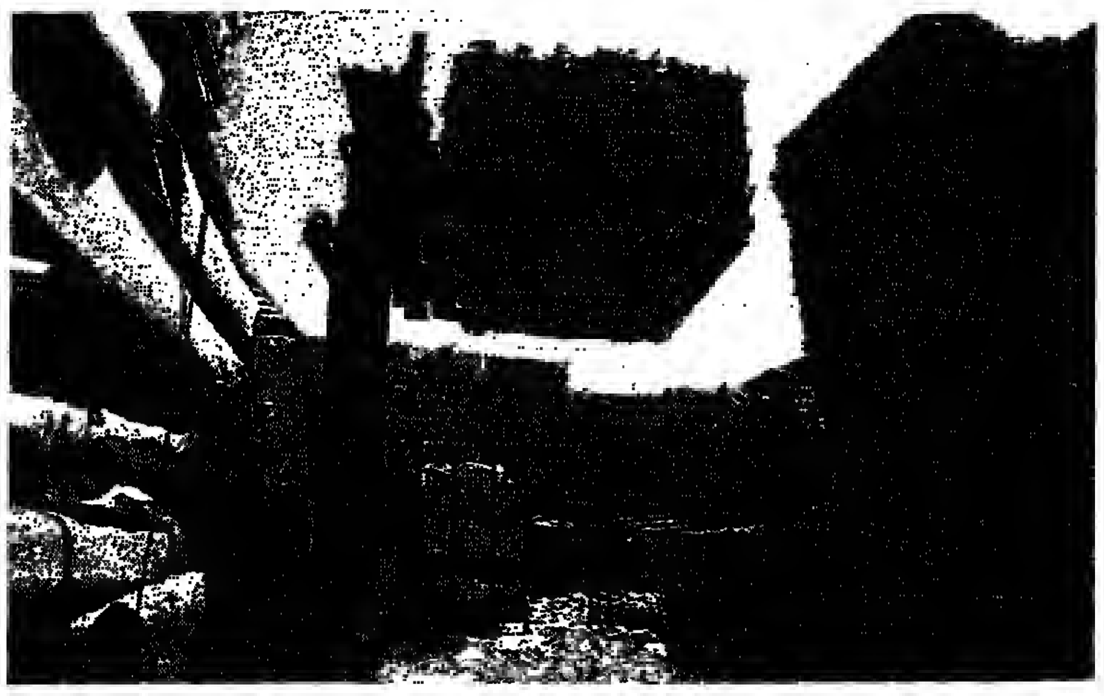
Publishers' enthusiasm for an ever-higber recycled content in newspapers and magazines could wane if used-paper costs keep climbing. Some US state laws exempt publishers from recycled-content targets if tha price of newsprint made from recycled material rises above that made from virgin fibre.

Flatcher and Jefferson Smurfit abandoned their plan for a two-tier price structure after other producers failed to follow their lead. Some feared resistance from publishers, whose newsprint costs have already jumped by about 15 per cent this year. Others, protected by long-term contracts, have yet to feel the full impact of the jump in recycled paper costs. But Mark Gibson, Fletcher's vice-president for paper marketing, predicts that the surcharge "remains a very real possibility in the future".

According to Gibson, Fletcher now pays more for de-inked, recycled pulp than for virgin fibre: "Most people assume that because it's old newspapers, it must be cheap, but they're wrong."

The used-paper shortage partly reflects rising domestic and foreign demand as overall business activity picks up. US waste-paper exports, mostly to the far east, rose by about 34 per cent in the first six months of this year. Soaring wood-pulp prices, which have jumped from $390 to $700 a tonne in the past year, hava encouraged papermakers to turn to used paper as a raw material.

But the shortage has been exacerbated by the rising threshold imposed by US and Canadian authorities on the minimum recycled content of packaging, newspapers and other paper products.



Higher prices: 'Most people assume that because it's old newspapers, it must be cheap, but they're wrong'

Colin Beare

Tha Clinton administration decreed last year that all paper ordered by the US federal government must have a recycled content of at least 20 per cent. In California, the rule is that one-quarter of state purchases must have a minimum 40 per cent recycled content.

North American recycling targets are well below those in some European countries, especially Germany. But US and Canadian paper mills also have to fight harder to lay their hands on suitable used paper.

One sore point is the sizeable quantities of waste paper being directed to energy-from-waste plants. According to some estimates, as much as 10 per cent of paper that might normally go to landfills or recycling plants is being channelled into energy production.

The terms of bond issues floated to finance energy-from-waste plants frequently require municipalities to control the flow of combustible materials. Municipalities are also eager to collect recyclable materials to help raise money for their waste-management services.

"Any time you interfere with the free flow of our fibre source, you're going to be craating some problems," says Virgil Horton, vice-president of the AFPA's paper group.

The paper companies want free-market forces rather than municipal ordinances to decide what happens to used paper. A growing number of producers have moved into waste-paper collection as a means of securing their raw material supplies. Some industry experts are confident that the shortage of old paper will subside. "Recovery rates are still nowhere near what is attainable," says an executive at one Canadian company.

Paper companies have become increasingly active in recycling programmes. International Paper, for instance, was involved in a milk-carton recycling drive in Los Angeles. The AFPA has set up task forces to try to ease bottlenecks in supply.

Papermakers are also encouraged by a rapid consolidation of the North American waste industry. Big waste services operators, such as Waste Management, Browning-Ferris and Laidlaw, have the resources to improve collection and invest in extra recycling capacity.

Even if waste-paper prices stay high, recycling fans can take heart that prices of virgin fibre are unlikely to drop much in coming years. The North American forest industry's concern about waste-paper prices is matched by fears that stricter rules to protect old forests in British Columbia and rare species in the north-west US, are also making trees a scarce and expensive commodity.

From negative to positive

Prices in Europe have recovered sharply, says **Deborah Hargreaves**

The market for waste paper in Europe has turned around in recent months, making it wortbwbile for many countries to recycle material for the first time in years.

Some grades of waste paper and board were even priced negatively at the beginning of the year – the authorities would pay processors to take it away – but have sbot np in valne as shortages have appeared across the continent.

"Although it looks like a vast increase in waste paper prices, we are actually just getting back to the level we saw in 1989 before we were hit by the recession," says Geoffrey Jones, national secretary at the British Waste Paper Association.

A waste paper index of UK prices, which sets 1990 as 100, has shot up from 59 at the beginning of the year to 122 in August as consumption has increased by 8 per cent. Prices in continental Europe have risen even faster with increases for many grades of between 70 per cent and 100 per cent.

"We have gone from buge surpluses to huge shortages," said Gerry West, sales director of Severnside Waste Paper in Cardiff, which is part of the St Regis group.

Although shortages have eased slightly in the past couple of months, West points to the low levels of stock carried by European paper mills as a measure of tight supplies. He reckons that stocks in the UK were generally at 80,000 tonnes in mid-September compared with the usual 150,000 tonnes.

Waste paper prices are to a large extent following tha dramatic increases in the virgin pulp market. At the same time, demand from Asian importers has sucked waste paper out of Europe.

German waste collectors are also not exporting so much to other European markets and concentrating on developing processing capacity at home.

"In the past couple of years, German recycling laws had encouraged the collection of large amounts of old paper and the country bad little capacity to handle it," says Benedict Sonthworth, campaigner at Friends of the Earth. "So it was virtually given away on the European market, forcing down prices," he adds.

The rise in the waste paper market is leading to a hike in newsprint prices as mills seek to recoup rew materials costs.

October increases are expected to pusb the UK market between 7 per cent and 8 per cent higher. West expects the price rises to prompt higher recycling rates in many European countries. For example, recovery rates in Italy and Spain were very low as processors found it cheaper to buy German material.

In the UK a new newsprint mill in Aylesford, Kent, will be opened next year with expected demand for an additional 400,000 tonnes of old newspapers a year. Britain consumes 12m tonnes of paper and board prodncts a year. But it collects only 3.5m tonnes of material for recycling. "Even with a conservative recovery rate of 50 per cent, we ought to be recycling 6m tonnes a year, so there is a lot to go at," says West.

Backing for food process

Frances Williams on irradiation

The World Health Organisation bas given strong backing to the controversial technique of food irradiation.

It concludes in a study* that there is no evidence of any extra health risk associated with the process and the health benefits could be substantial. "As long as requirements for good manufacturing practice are implemented, food irradiation is safe and effective," the study says.

Food irradiation involves bombarding products such as spices, meat, poultry and potatoes with ionising rays or electrons. This destroys insects and bacteria, making the food safer to eat and delaying spoilage.

The WHO effectively scotches most consumer concerns about eating "irradiated" food. Food irradiation does not increase the incidence of toxic radiolytic chemical substances. It does not generate "measurable" additional radioactivity, and it is not capable of producing mutant bacteria or viruses.

Nor does food irradiation destroy nutrients more than any other processing. Compared with the loss of nutrients through cooking tha loss through food irradiation "is really minimal", says Gerald Moy of the WHO'a Food Safety Unit.

Food irradiation holds the promise of big health gains, the WHO believes. In developing countries, up to 70 per cent of diarrhoeal diseases, which cause about a quarter of all deaths, are thought to be food transmitted.

In the US, there are between 24m and 82m cases of food-borne disease every year, with some 10,000 deaths. An outbreak last year of illness caused hy undercooked hamburgers killed four children and put nearly 200 people in bospital.

*Safety and nutritional adequacy of irradiated food. Distribution and Sales Service, WHO, Geneva, ISBN 92 4 156162 9.

MANAGEMENT

John Willman starts a series on public services with a success story at Camden benefits office

Reaping the benefits

Public services management

"The customer comes first" is a philosophy that most service organisations aspire to. But making it a reality in public services is a task that has defeated many managers, particularly in inner cities where the welfare state picks up some of society's most intractable problems.

Yet Camden, the north London borough with an indifferent reputation for its services and more than its fair share of social deprivation, boasts the best-run local authority benefits office in the country.

The Audit Commission, the local government watchdog, last year cited the council's benefits office as a model of good practice in a study which found that only a third of councils administered benefits well. This week it received a further accolade in the form of a chartermark, one of the government's awards for good public service.

Camden includes some of the most prosperous north London districts, including Hampstead and Bloomsbury. But much of the rest of the borough is run-down, inner-city estates, with almost half of all households relying on benefits to pay their rent or council tax. Last year, the office dealt with more than 56,000 claims and paid out almost £120m in benefits.

"If Camden with all its inner-city problems can deliver good quality standards, one must ask why other councils can't," says the Audit Commission's Doug Edmonds.

Much of the credit for the borough's outstanding performance goes to Bridget Cumiskey, Camden's chief benefits officer. A former bank cashier, she confesses to a "passion for service".

"People coming in here already have problems," says Cumiskey. "They are unemployed, they're pensioners dependent on benefits, they are families living on low pay. It's not our job to make those problems worse. We can be the difference between misery and helping people to feel good about themselves and beginning to solve their problems."

Camden's mission statement is to pay the correct amount of benefit, on time, and with courtesy and respect. They are principles the office organises to achieve.

Applicants are seen within 15 minutes of arriving. They are interviewed in privacy and escorted back to the exit – normally within 30 minutes of arrival. Most benefit payments are processed in 14 days, with the remaining 5 per cent completed in a further five days.

Success in meeting these targets means Camden has no need for the large waiting rooms that are typical of many inner-city benefits offices. Nor does it need security glass to protect its staff. The reception rarely has more than a dozen people waiting, and all interviews are conducted face to face around a table.

"If you treat people with respect and in a pleasant manner, there is no need to put up barriers," says Cumiskey. "If you keep customers waiting for two or three hours, it's not surprising that they get angry.

"I just won't tolerate backlogs. My job descriptions are flexible, and I can transfer staff very quickly between teams to deal with problems. Sometimes we'll use Saturday working to clear backlogs, but we also try to avoid burning staff out through institutionalised overtime."

All this has been achieved for costs lower than those at similar councils offering a far worse service. "We save money by getting things right first time," says Cumiskey. "If you have delays and backlogs of work, people get desperate and telephone, write letters or come in. Staff dealing with such inquiries are not doing the job of paying the benefits."

Camden also takes care to make sure that money isn't paid out to people who shouldn't get it. The borough is ranked third in the country on fraud detection, saving more than £2m last year.

Until recently, there was little incentive for councils to tackle fraud – most of the cost of housing benefit is paid for by the government. But Cumiskey successfully helped lobby the Treasury to let local authorities keep a share of savings from fraud detection. Camden's share last year was to £260,000.

There is no profound secret behind Camden's success, according to one observer. Cumiskey sets the staff clear targets and makes sure they are met. Rather than administering benefit in the traditional local authority way, she manages the office, he says.

Some of that can be put down to training. During her 27 years with Camden, Cumiskey has been on several management courses. But she is clearly a born manager, who instinctively knows how to get the best out of people.

Her own explanation is rather more modest. She reckons that much of what she does reflects what she saw during the 1970s as chairman of the local branch of Nalgo, the local government union: "I dealt with managers throughout the council, and learnt very quickly how not to manage. It gave me the confidence that I knew as much as they did about management."

Lydia van der Meer

"We save money by getting things right first time," says Camden's Cumiskey

Who gets what from the maternity provisions

New rights for women on leave bring the UK into line with European law. **Robert Taylor** looks at the changes

British women employees whose babies were due on or after 16 October are entitled to new legal rights and benefits during their maternity leave from work.

All women now have a statutory right to at least 14 weeks' leave regardless of length of service or hours of work.

The new maternity rights also guarantee protection against dismissal and the right to alternative work or suspension with full pay if continuing in the job is harmful to health.

The changes are intended to bring UK law into line with the European Union directive on the health and safety of pregnant women agreed two years ago.

How much leave is a woman entitled to?

Maternity leave entitlements for *full-time* women staff, who have at least two years' continuous service with their employer, and *part-time* women with five years' service, who work fewer than 16 hours a week but more than eight, have not changed. Everybody else gets 14 weeks.

How much maternity pay is a woman entitled to ?

Women who have worked for the same employer at least 26 weeks prior to the 12 weeks before the baby's expected delivery date and earn at least £57 a week or more on average qualify for up to a maximum of 18 weeks' pay.

The pay entitlement for the first six weeks is 90 per cent of the woman's average earnings and £52.50 for up to a further 12 weeks. Women who qualify for only 14 weeks' maternity leave (full-time employees who have not worked in continuous employment for two years and part-time employees who have not completed five years' continuous service) and therefore return to work on or before the end of the 14th week do not receive the last four weeks of SMP.

Are there some companies who already provide longer leave?

One in four employers already provide more than the statutory minimum. Some allow periods of up to 52 weeks' leave. These include Abbey National, British Gas, the civil service and the national health service.

Do some employers pay more than the statutory figure?

A growing number of companies also pay more than the statutory maternity pay. Marks and Spencer, Rover car group, Amersham International and HP Bulmer pay 100 per cent of previous earnings for the first six weeks of maternity leave.

How much will this cost employers?

The cost to employers of the new materity rights has been set at £65m a year, 0.03 per cent of the total national wage bill, or £230 per expectant mother receiving maternity benefits. Employers are being reimbursed by the state for up to 92 per cent of the cost of maternity leave pay from 4 September. Small companies – those who pay £20,000 or less a year in gross national insurance contributions – are fully reimbursed.

What happens to the other provisions in a woman's contract?

All women on maternity leave continue to benefit from all the terms and conditions of their contract (including holiday entitlement, pension rights and company car) except for their normal pay.

Are women protected from unfair dismissal?

The new legislation's guarantee of protection against dismissal means that all women on maternity leave who are subsequently dismissed must be given written reasons. There are no set limits on the damages an industrial tribunal can award if a pregnant woman is unfairly dismissed.

How will the new health and safety regulations affect employers and employees?

Health and safety rights have been introduced to protect pregnant women, women who have recently given birth or are breast feeding. An employer is now required to carry out a risk assessment of working conditions and take whatever preventable action is reasonable. The law also states that where a risk to a woman's health is suspected and no alternative work is available, an employer must suspend the employee on full pay. The regulations are being revised at present by the Health and Safety Executive.

If suitable alternative work is available but not offered or a woman is suspended without full pay, she can gain access to an industrial tribunal.

How can women claim their new rights?

To aid employers' planning of employment needs pregnant women have to follow a procedure to claim any of the new maternity rights. If the procedure is not adhered to they will lose entitlements.

A woman must give at least 21 days' notice to the employer of the date when she intends to start her period of leave (the notice need only be in writing if the employer insists). Maternity leave can begin 11 weeks before the expected week of childbirth. To receive SMP, 21 days' notice before beginning leave is required. A copy of the maternity certificate (MAT B1) must also be sent to the employer.

What steps does a woman employee take to return to work?

The employer may ask for confirmation of intention to return to work eleven weeks after the start of the maternity leave. A reply in writing must be given within 14 days. At least 21 days' before intention to return to work the employer should be informed of the exact date of return. An extension beyond the 29 weeks' leave is allowed if a woman is ill. She must inform the employer of illness and supply a medical certificate. Employers can also delay return by four weeks, but must give reasons.

What are the main problems with the new rights?

All women are entitled to 14 weeks' maternity leave and only some women are entitled to 18 weeks' statutory maternity pay. The Department of Employment calculated that bringing the two into line would add £50m to annual business costs.

If a woman is absent sick before her planned maternity leave begins, but this is a pregnancy-related illness and occurs on or after the sixth week before the expected week of confinement, maternity leava is automatically triggered. Some believe this is confusing, too arbitrary and puoitive.

Can a woman have her old job when coming back to work?

A woman is entitled to return to the same job she had before she went on maternity leave on no less favourable terms and conditions of employment. However, she may request to work on a part-time rather than full-time basis.

Who is not covered by the new regulations?

An estimated 2.25m women or 20 per cent of the female labour force who earn less than £57 a week fail to qualify for statutory maternity pay. Any woman who has not be in continuous service with the same employer for 26 weeks will not qualify.

How does UK maternity leave provision compare with the rest of western Europe?

British women receive the lowest level of maternity pay in the EU with only up to 14 per cent having their statutory entitlement topped up by employers. In Denmark women receive 22 weeks on full pay during their maternity leave while in Germany women receive full pay for 14 weeks and Italy for 17 weeks.

PEOPLE

Senior planner joins Housing Corporation

Pam Alexander, 40, below, who has worked in the Department of the Environment since 1975, has been put in charge of managing the Housing Corporation's £1.5bn development programme. She will take up her new post in January 1995.

Alexander, who has headed the DoE's Housing Associations division since January 1992, has been appointed deputy chief executive (operations).

She replaces Greg Lomax who left in August to be chief executive of Thamesmead, a former GLC estate in south east London, which was sold to a private company in 1986.

At the DoE Alexander has been responsible for planning and monitoring the Housing Corporation's programme of capital and revenue grants, as well as advising ministers on policies affecting housing associations and the corporation.

In her new job she will be responsible for overseeing the work of the new housing management and research division and supervising the regional offices, as well as managing the corporation's advanced development programme.

The Housing Corporation channels government money into building around 60,000 homes a year for those in housing need.

Geoff Mitchell, 48, the Housing Corporation's director of operations, is taking early retirement in April 1995, after 21 years at the corporation. His department is being merged with Derek King's programms division. King will head up the combined unit which will be renamed the investment division.

■ Donald Main, former finance director of Forte who retires at the end of the year, has joined the management board of the North British Housing Association, the UK's largest housing association.

He will be standing down from his post as an independant director of Funding for Homes, an investment vehicle for housing associations, of which North British is a member.

He hopes to use his financial expertise to help North British attract more investment from the private sector to offset the decline in government funding.

Fresh finance function at Argyll group

Supermarket group Argyll, owner of the Safeway chain, has held back from appointing a group finance director to replace Colin Smith, promoted to group chief executive earlier this year, but is appointing a chief financial officer.

He is Simon Laffin, 35, previously group financial controller, who has been taking joint responsibility for financial affairs with Colin Smith since the latter's elevation.

"Although Simon has not taken on the job title of group finance director, he has effectively assumed most of the duties formerly undertaken by Colin Smith," says Argyll.

Laffin is also taking over as finance director of Safeway Stores – now the dominant part of the group, since the recent sale of Argyll's Lo-Cost discount chain – in place of Nairn Glen, who moves to become director of financial control of Safeway. Argyll is currently carrying out a strategic review of all its businesses, which may result in some further changes in management responsibilities.

Analysts believe Laffin is being groomed for the title of group FD and a seat on the board in due course.

He joined Argyll as financial controller in 1990, after holding senior financial positions with Mars. He is an associate of the Institute of Chartered Management Accountants.

Commercial Union, the large UK general insurance company, is breaking with past practice and appointing a finance director. Peter Foster, 48, will be responsible for group finance, corporate planning and tax.

The decision underlines the trend within the financial sector towards appointing board directors with specific responsibilities for the finance side of operations.

Finance had been the responsibility of Tony Wyand, executive director, who was also in charge of CU investments. Wyand is now expected to spend an increasing portion of his time in Paris, overseeing the integration into the group of French insurer Groupe Victoire, which CU acquired this summer.

Foster was general manager, finance, at CU. He joined the company in 1963.

Swiss Bank executive to SIB

The Securities and Investments Board has appointed on a two-year secondment Tim Shepheard-Welwyn, most recently chief operating officer of Swiss Bank Corporation's Hong Kong business, to a newly created post of adviser on international affairs.

Shepheard-Welwyn, formerly a Bank of England boffin, was recruited to SBC in 1987 by Andrew Large, former head of SBCI in London and now chairman of the SIB. The SIB says it approached several investment banks seeking a candidate, and that only SBC was interested.

His duties will include co-ordinating the SIB's relationships with other securities regulators.

He will also be considering the ticklish issue of devising a regulatory structure for London which allows it to keep its pola position at a time of increasing internationalisation of securities markets.

SBC has recently attracted hostility from London's investment banking community for suggesting that it is time to change some of the clubby rules on underwriting and trading securities, arguing that London risks its international standing if it fails to do so.

But Shepheard-Welwyn says he has no intention of using his position to advance SBC's interests.

Salomon Brothers boosts energy sector coverage by board appointment

Salomon Brothers has boosted its presence in the energy sector by poaching David Cockburn from Lehman Brothers, where he has been head of European Energy and Natural Resources since 1989.

As an indication of the importance attached by Salomon to this expansion in the energy sector, Salomon has created a seat on the board for Cockburn.

He is to be director of investment banking in London, with responsibility for the energy sector in Europe, the Middle East, Africa and the former Soviet Union.

The firm said yesterday that it also plans to take on another analyst for the sector before the end of the year.

Cockburn will be a senior member of Salomon Brothers' global energy and chemicals group, which provides capital-raising and advisory services to clients in Asia and Latin America as well as Europe and North America.

A graduate of St John's College, Cambridge, he began his career in 1978 as a lawyer at Slaughter & May, before joining Schroders in 1984, where he was responsible for energy financing.

■ Sanlo Blauth, formerly general manager of international operations for BANCO DO BRASIL, becomes managing director and chief executive of BB Securities, London.

INFORMATION FROM THE BANK OF ENGLAND

ISSUE OF £2,500,000,000

8% TREASURY STOCK 2000

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 26 OCTOBER 1994

PAYABLE IN FULL WITH APPLICATION	With a competitive bid	Price bid
	With a non-competitive bid	£100 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 27 October 1994.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND iovite bids for the above Stock.

2. The principal of and interest oo the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 7 December 2000.

4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, io multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England beld for the account of members of the Central Gilts Office (CGO) Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislatioo. Transfers will be free of stamp duty.

5. Interest will be payable half-yearly on 7 June and 7 December. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. Interest will accrue from Thursday, 27 October 1994 and the first ioterest payment will be made oo 7 June 1995 at the rate of £4.8877 per £100 nominal of Stock.

6. The Stock may be beld on the National Savings Stock Register.

7. The Stock and the interest payable thereoo will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beoeficial ownership of persoos who are neither domiciled nor ordinarily resident io the United Kingdom of Great Britain and Northern Ireland.

8. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, preseot or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. For the purposes of the preceding paragraphs, persons are oot ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

10. Applications for exemptioo from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland Revenue, Lynwood Road, Thames Ditton, Surrey, KT7 0DP.

11. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to sucb repayment is made within the time limit provided for sucb claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no sucb claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxatioo purposes of the profits of any trade or business carried on in the Uoited Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, preseot or future, of the United Kingdom directed to preventiog avoidance of taxation by persons domiciled, resideot or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any sucb provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Method of Application

12. Bids may be made on either a competitive or a noo-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 am on Wednesday, 26 October 1994.

13. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than **10.00 AM ON WEDNESDAY, 26 OCTOBER 1994**; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, Londoo not later than **10.00 AM ON WEDNESDAY, 26 OCTOBER 1994**; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.30 PM ON TUESDAY, 25 OCTOBER 1994.** Bids will not be revocable betweeo 10.00 am on Wednesday, 26 October 1994 and 10.00 am oo Monday, 31 October 1994.

14. **COMPETITIVE BIDS**

(i) Eacb competitive bid must be for one amount and at one price expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	**£100,000**
£1,000,000 or greater	**£1,000,000**

(ii) Unless the applicant is a member of the CGO Service, a separate cheque representing **PAYMENT IN FULL AT THE PRICE BID** must accompany each competitive bid. Cheques must be drawo on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited.

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). **APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED *WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID*:** competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

15. **NON-COMPETITIVE BIDS**

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing **PAYMENT AT THE RATE OF £100 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** must accompany each non-competitive bid; cheques must be drawn oo a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any oon-competitive bid. Non-competitive bids which are accepted will be accepted in full **AT A PRICE (the non-competitive sale price) EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**

(v) If the noo-competitive sale price is less than £100 per £100 nominal of Stock, the balance of the amount paid will be refunded by cheque despatched by post at the risk of the applicant.

(vi) If the non-competitive sale price is greater than £100 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price less £100 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be ootified by letter by the Bank of Eogland of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of allotment letters to applicants from whom a further payment is required will be delayed until such further payment has been made.

16. The Bank of England may sell less than the full amount of the Stock on offer at the auction.

17. The Stock will be initially issued at a price sucb that it will oot be a deep discount security for the purposes of Scbedule 4 to the Income and Corporation Taxes Act 1988. Further issues of the Stock may be at a deep discount (broadly, a discount exceeding ½% per annum) and in certain circumstances this could result in all of the Stock being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of the Stock will be conducted so as to prevent any of such Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

18. Letters of allotment in respect of the Stock sold, being the only form in which the Stock (other than amounts held in the CGO Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the applicant, but the despatch of any letter of allotment, and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid. In the event of such withholding, the applicant will be ootified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, but such notification will confer no right on the applicant to transfer the Stock so allocated.

19. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, wben refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Sucb rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

20. Letters of allotment may be split into denominations of multiples of £100 oo written request to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW received not later than 10 November 1994. Such requests must be signed and must be accompanied by the letters of allotment. Letters of allotment, accompanied by a completed registration form, may be lodged for registratioo forthwith and in any case must be lodged for registration not later than 14 November 1994; in the case of Stock held for the account of members of the CGO Service registration of Stock will be effected under separate arrangements.

21. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section C of the application form, request that any Stock sold to him be credited direct to his account in the CGO *on Thursday, 27 October 1994 by means* of a *member-to-member delivery from* an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 27 October 1994 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock. A member of the CGO Service may also, subject to the provisions governing membership of that Service, surrender a letter of allotment to the CGO for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the CGO as being entitled to any Stock shall, to the exclusion of all persons previously entitled to sucb Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of sucb Stock.

22. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

Government Statement

Attentioo is drawn to the statement issued by Her Majesty's Treasury oo 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government oor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

18 October 1994

APPLICATION FORM

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus for competitive and oon-competitive bids dated 18 October 1994 as follows:-

FOR COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the price bid)

Nominal amount of 8% Treasury Stock 2000 applied for: £

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:

£	32nds

Sum enclosed (a), being the amount required for payment IN FULL AT THE PRICE BID for every £100 NOMINAL of Stock applied for: £

FOR NON-COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the non-competitive sale price as defined in the prospectus)

Nominal amount of 8% Treasury Stock 2000 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £

Sum enclosed (a), beiog £100 (b) for every £100 NOMINAL of Stock applied for: £

FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER........................Tel No..........................

Name of contact..

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that any letter of allotmeot in respect of Stock sold to me/us be sent by post at my/our risk to me/us at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries oo 27 October 1994, and we agree that the consideration to be input in respect of sucb delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

SIGNATURE(S) ....

Date........................ **of, or on behalf of, applicant**

....

MR/MRS MISS/MS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL ADDRESS		
TOWN	COUNTY	POSTCODE

NATIONAL SAVINGS STOCK REGISTER: if you wish the Stock to be registered on the NATIONAL SAVINGS STOCK REGISTER (for which there is a limit of up to £25,000 nominal of Stock) please tick this box. ☐

(a) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues". In respect of competitive bids, cheques must be drawn on a branch or office, situated withio the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited. In respect of oon-competitive bids, cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(b) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 26 OCTOBER 1994; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 26 OCTOBER 1994; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 25 OCTOBER 1994.

ARTS

Television/Christopher Dunkley

News on a heartstring

The move towards soft-centred "human interest" journalism on television is unmistakable and yet the fear, expressed in this column as anxiously as anywhere, that such material would drive out tough, investigative journalism, especially on ITV, has, so far, proved empty. Indeed, if there is any ground left for such qualms it would seem to exist at the BBC more than ITV. True, the realisation that you could exploit "sexy" stories (which do not have to have anything to do with sex, the word being used in televisiou to mean a cross between appealing and trendy) to attract big audiences in peak time at costs well below those for popular drama or other entertainment, happened to coincide in Britain with the demolition and reconstruction of ITV. Tha need for the uew companies to make huge sums of money to pay for the government's dreadful franchise auction and Treasury levy in addition to dividends, and at the same time satisfy the demands of the Independent Television Commission not to banish all current affairs to the periphery, led to the prompt import of "infotainment" models from the US. But the BBC was not slow to follow suit; in fact it could be argued that today the BBC sets the pace.

Consider the schedules for tomorrow evening. At 8.00 BBC1 begins another batch of *Children's Hospital*, a series which typifies the fashionable approach, being concerned with individual heartstring-tugging stories. Medicine is a – if not the – major catchment area for infotainment, and children, like animals, are a better bet than adults, being more helpless, more appealing, and less likely to die. At 8.30 ITV screens *Blues And Twos*, one of several series which literally chase ambulances, in the hope that the cameras will come across a really nasty accident. At 10.00 we are promised that *Inside Story* on BBC1 will "lift the lid off cosmetic surgery". And at 11.05 Channel 4 offers *Prostitute* in which, we are told, we can meet Monique, mother of seven, who took up prostitution when her lover got into debt, and Agnes who treats the business as an office job. There can surely be no argument that there is far more material of this sort on British television today than there used to be, nor any denying that it represents a shift towards the tabloid.

However, on Monday last week, at 8.30, bang in the middle of peak tima, ITV provided a classic *World In Action* report on a 30-year experiment in Britain to inject 2,000 slow-growing children with a hormone extracted from pituitary glands collected from bodies in hospital mortuaries. If it sounds like the plot from a Hammer movie, the outcome was not so very different: though the children did grow faster, they then began to die of Creutzfeldt-Jakob Disorder, the buman version of "Mad Cow Disease". Perhaps this story has already been widely publicised in the medical press or even in consumer magazines or uewspapers, but I had certainly not come across it. *WIA* investigated the way in which the pituitaries were collected, often by mortuary attendants who were paid 12½p a gland, keeping the parts in a cupboard or on a window ledge until they had enough to send off.

It may be asked "How is this so very different from those other 'soft centred' medical series?" The answer is that although *WIA* did interview individual sufferers, the programme's chief concern was to reveal the classically British manner in which the whole business has been kept under wraps. One patient said they had been "treated like morons" with doctors and civil servants being evasive and telling those affected as little as possible. Another said, with admirable moderation, "I think the whole thing has been very shabbily handled". It was an appalling story, and yet heartening to find television using its weight and influence in a classic piece of journalistic investigation.

The next day brought an edition of *Network First*, again on ITV, this time at 10.40 (surely not so terribly late for anyone really interested) called "The Secrets Of Porton Down" which produced even more important revelations. The programme showed how claims that Britain gave up "offensive" research to stick to the "defensive" type in the 1950s are, at best, disingenuous. It also showed how servicemen have, over many years, been lured to the centre for chemical and biological warfare research at Porton Down as guinea pigs. The word "lured" may seem loaded if yon have not seen the commercial, shown on this programme, which was used to induce men to volunteer, a commercial which made Porton Down look, quite literally, like a holiday camp with the special attraction of topless women. The programma showed how at least one man died (his inquest was kept secret) and – via personal witness – how others have suffered. Asked why there had been no systematic follow-up to check the after effects of these experiments, the head of Porton Down said there was no evidence of any need for such work ... but how could there be without any follow up?

'Children's Hospital' on BBC1: medicine as the subject of 'infotainment' rather than investigative journalism

Programmes of this sort send tendrils of fear curling around your heart as you realise how frighteningly easy it is for even democratic governments to mislead their electors, or simply to be by omission. How many of us realised that our governments used our money at the Nancekuke biological and chemical warfare centre in Cornwall to extend work on nerve gases begun in Nazi concentration camps? Perhaps we would approve, but how can we decide unless we know what is going on? And is the job of telling us not more important than keeping us up to date on French prostitutes?

Thursday brought yet another revealing programme, this time on Channel 4 where *Critical Eye* presented "Quick War, Slow Death". Here was yet another example of the passion among British authorities for keeping the citizen in the dark, wbeeling ont tha Official Secrets Act at every opportunity, ensuring that victims of a single problem cannot maka common cause, and withholding fundamental buman rights by denying the British a freedom of information act. This programme left you in no doubt, first, that a number of those involved in the Gulf War now suffer some form of long term illness (the Americans admitted it long ago) and, second, that British military and government authorities will go to startling and embarrassing lengths to avoid any admission of involvement.

Three programmes in one week may not be hugely significant, but they do seem to give the lie to my previous suggestions that the disappearance of such series as *This Week* and *First Tuesday* could mean a new ITV with no journalistic teeth. On the contrary, however unhealthy the relationship between government and franchise winners, ITV currently looks like much the most fierce champiou in British television of the public right to know. And that, surely, makes up for an awful lot of ambulance chasing and cooing over little children.

Pop

Pink Floyd

Pink Floyd are the best of pop – and the worst. Currently filling Earl's Court for an unprecedented 14 nights, they are a mass of contradictions.

The songs evoke a druggy dreamworld of hippie indolence a generation old, yet are programmed with a computerised precision that Captain Kirk would admire: The lyrics are often heavy with revolutionary fervour yet the band, or rather the three that survive, enjoy all the privileges of the ultra rich. The music encourages you to close your eyes and trip, yet everyone at the concert is tense and alert for the next mind blowing explosion of techno-trickery.

Holding the show together: Dave Gilmour

The Floyd long ago realised that their music was irredeemably archaic and that to survive they must become showmen. Lacking personalities, they sold their souls to the backroom boys: you leave the concert singing the special effects rather than the tracks from the new album, *The Division Bell*.

As you wait for the band to appear you are titillated with bird song and a tolling tocsin; then comes the dry ice and the brilliant blinding spotlights and green red and yellow laser beams. It is like being bombarded with innocuous friendly fire.

To help keep you awake during the many songs that meander into banality, a giant tambourine-shaped screen offers helpful images of spliff-toting beatniks, Cambridge colleges, and flying bedsteads, which just fail to make sense but are very decorative.

When the music lapses into especially monotonous doodling you know the Floyd have a cracker up their sleeves. Look out for the model aircraft screeching across the Arena to explode near the stage; and there go the flares, pumping fire into the air again and again while the Floyd's motifs, giant polystyrene pigs, poke their heads above the stage, eyes piercing the audience.

Occasionally the adrenalin shot comes from the music, from "The Wall", in which the three ululating girl backing singers break into brutal cockney, and an abusively sneering "Hey Teacher" breaks out in lights at the front of the stage. It all comes right near the end, too, when, against images of world leaders slipping and sliding, grinning and fibbing and generally making fools of themselves, Pink Floyd play their 20-year-old classic, "Dark side of the moon".

What holds the show together is Dava Gilmour, the guitarist, who stands centre stage and bravely despatches guitar licks back through the decades. Like Rick Wright on keyboards and Nick Masou on drums Gilmour has a döppleganger, a shadowy fellow musician who discreetly earns his fee, and pumps out the sound to pomp mark ten. Despite the millions invested in the hardware at least the Floyd are professional enough to turn up.

The Floyd's success drives the critics mad: there must be something wrong when fans fawn on 50 year olds pumping out music unchanged since 1970. What is wrong is current pop. It is a safe bet that in a century's time audiences will sit in respectful approval at re-creations of Pink Floyd concerts. There are very few other bands assured of such prospective immortality.

Antony Thorncroft

Theatre/Ian Shuttleworth

Resurrections

Pre-publicity for *Resurrections* has marketed its antbor 'Biyi Bandele-Thomas astutely, as a man who gave up the lucrative job of running an illegal gambling operation in Nigeria at the age of 16 to go to university and become a writer. It was an art-conquered-all story tailor-made for the broadsheets, the perfect hype. However, cynicism of this kind is dashed on encountering his work. Bandele-Thomas is an astounding story teller, in both senses of the phrase.

He is a teller of astounding stories. The world of *Resurrections* is an an exaggerated vision of contemporary Nigeria, in which a drug baron (who clothes himself in euphemism, insisting that he is an enterprising businessman who has spotted a gap in the market for "commodities") can use both senior contacts in the corrupt military government and simple bribery to sue for his acquittal on a capital charge. Negotiations between his counsel and the judge are conducted in a haze of poetic circumlocution, where the very writing desk is alive, resting on the bead of mute menial. One of the characters describes the story he himself inhabits as "kafka ou speed", which isn't too far from the truth.

Here, too, the dead routinely return to the living to offer advice, smooth their journey into the next world or even to re-write history. These ghosts carry no air of the extraordinary about them, but are simply an integral part of the fabric of things. Bandele-Thomas has fashioned a potent West African counterpart to the creations of the Latin-American realists.

He is also an astounding teller of stories. The impulse to weave tales seems stronger than the desire to ensure that their fabric is smooth: he possesses a marvellous ear for individual phrases, and an enviably fertile imagination through which his narratives twine, but as the play progresses from one episode to the next there is often a palpable clunk as his dramatic locomotive crosses the points.

So compulsive is this urge that on the conclusion of the main story he cannot resist the temptation to keep the tale going; he tacks on an even more fantastic coda in which his characters return in different guises. Yet the mark of a true storyteller is that the listeners want above all to know what happens next, or how it happens.

In Yvonne Brewster's direction it happens with startling visual opulence. The judges throne is periodically flown up to hover above the rest of the action; chilling, vulture-headed, stilt -walking figures stalk the proceedings when the smell of death hangs in the air; more ridiculously, a ghost arrives on the stage on a bicycle.

Ben Thomas as Bubba BB has all the implausibla dignity of a Charlton Heston; his underling Santana – the storyteller within the play – is, in Colin McFarlane's performance, a beguiling mixture of inarticulate deference toward BB and confident fabulation toward the audience. A less fantastic show would be stolen by Don Warrington's Judge Bassy, the worm who finally turns.

Bandele-Thomas's *Two Horsemen* transfers from the Gate to the Bush next month, and his *Bad Boys* is to be screened by the BBC; stories keep spilling from him, and judging by *Resurrections* outpourings from his well-spring are both flavoursome and refreshing.

At the Cochrane Theatre until the November 29 (071 242 7040)

Opera/Richard Fairman

A Romanian 'Nabucco'

Worried that a visit to that new production at Covent Garden might turn out to be a nasty post-modern surprise? Just a short tube ride away ou Monday oue could see opera being performed as it used to be, most appropriately in London's museum quarter at South Kensington.

For a singla night the Romanian National Opera was in town. With three operas in hand, the company is at present touring Britain on what is an ambitious itinerary given the costs involved in taking an orchestra, chorus and soloists overseas. Audiences are said to have been disappointing in some vennes but there were no worries in London: a well-filled Royal Albert Hall greeted their rare staged performance in Britain of Verdi's *Nabucco*.

There have only been a few attempts to resurrect a "period" Verdi staging in the west, but in Romania they have no need to try. From contemporary reports it is safe to say that *Nabucco* in Verdi'a day would have looked more like this dusty offering than e fashionably updated production, set in the present-day Middle East against a background of armoured tanks and oil wells, where the characters become power-mad dictators and hooded terrorists.

There is nothing like a bit of cheap spectacle. Colour-coordinated costumes (ruby red for bloodthirsty soldiers, green for homesick prisoners) ensure that every crowd scene will be a gaudy feast for the eye. Final tableaux are a speciality: soloists and chorus are happy to stand stock-still singing away for hours, but in the closing minutes of each act everybody will make a dash to take up their positions. Some dancing helps, too. Few generals are as fortumate as this Nabucco, who arrived with an army of comely dancing girls, each clad in little more than a body stocking and a strategically-placed big red tassel.

Altogether, it was a bit of a hoot, but in the Royal Albert Hall it will at least have come across as a visually bright production. The Romanian chorus and orchestra are on an average level with small equivalent companies in western Europe and the performance seemed well enough prepared, though the conductor Cornel Trailescu might have brought more intensity to the high points of the drama.

For export, Romania's main hope is likely to be its singers. This cast included a moving Zaccaria in Pompei Harasteanu and a tenor with some inelegant heft for Ismaele in Mihai Munteanu. Nicolae Urdareanu (the one with the big putty uose) had euough voice for Nabucco, but proved shaky on style and intonation when required to sing a lyrical line. Melania Ghioalda sounded confident about tackling Abigaille, although she lacked vocal claws in this tigress of a role. Most impressive was the mezzo of Ecaterina Tutu: the role of Fenena did not give her much to sing, but we shall no doubt hear more of her in the future.

Tour concludes in Canterbury, October 18-22

INTERNATIONAL ARTS GUIDE

BONN

Oper Tonight, Sun, next Tues: Steven Mercurio conducts Jürgen Rose's new production of La traviata, with cast headed by Marisa Vitali, Michael Rees Davis and Thomas Mohr. Fri: Il guarany, opera by 19th century Brazilian composer Antonio Carlos Gomes. Sat: Les Contes d'Hoffmann (0228-773667)

BORDEAUX

Palais des Sports Tonight, tomorrow: Patrice Guillon conducts Orchestre National Bordeaux Aquitaine in piano concertos by Beethoven, Saint-Saens and Rakhmaninov, with Cecile Ousset (5648 5854)

COLOGNE

Opernhaus Tonight, Fri: Lortzing's Der Wildschütz. Tomorrow, Sun: Handel's Agrippina. Sat: Peer Gynt choreographed by Jochen Ulrich (0221-221 8400)

Halle Kalk Tonight, tomorrow, Fri: Shakespeare's King Lear, directed by Günter Krämer (0221-221 8400)

Philharmonie Tomorrow: clarinettist Giora Feidman and ensemble. Mon: Irish Folk Festival. Tues: Haydn's The Creation (0221-2801)

DRESDEN

Semperoper Tonight: Friedemann Layer conducts Dresden Staatskapelle in works by Schubert, Mozart and Schreker. Tomorrow: Ariadne auf Naxos. Fri: Die Zauberflöte. Sat: Stephan Thoss' production of Prokofiev's ballet Romeo and Juliet. Sun morning, Mon and Tues evenings: Giuseppe Sinopoli conducts Dresden Staatskapelle in Bruckner's Eighth Symphony. Sun evening: La traviata (0351-484 2323)

FRANKFURT

Oper The second cycle of the Frankfurt Opera's Ring cycle began last night with Das Rheingold, and continues with Die Walküre tonight, Siegfried on Fri and Götterdämmerung on Sun. A third and final cycle begins next Tues. Sylvain Cambreling conducts a staging by Herbert Wernicke, and the cast is headed by Harald Stamm, Janis Martin and William Cochran (069-236061)

Alte Oper Riccardo Muti conducts the Orchestra and Chorus of La Scala Milan in Verdi's Requiem on Sat, with soloists Michele Crider, Luciana d'Intino, Vincenzo La Scola and Roberto Scandiuzzi. On Sun, Muti conducts Haydn's Symphony No 48 and Rossini's Stabat Mater. Shirley Bassey gives a concert on Mon (069-134 0400)

Jahrhunderthalle Hoechst A touring production of the the English-language musical Hair can be seen on Mon. Anatol Ugorski is piano soloist with the Lausanne Chamber Orchestra next Tues (069-360 1240)

GOTHENBURG

Konserthuset Tonight: Neeme Järvi conducts Gothenburg Symphony Orchestra in works by Sibelius and Tamberg, with trumpet soloist Hakan Hardenberger. Tomorrow: Järvi conducts Stenhammar, Sibelius, Tubin and Alfven, with violin soloist Maxim Vengerov. The orchestra takes these programmes on tour over the next two weeks to Vienna, Paris, Glasgow and London (031-167000)

Operan Tomorrow, Sun: Blomdahl's 1959 opera Aniara. Fri: first night of Robert North's new staging of Prokofiev's ballet Romeo and Juliet. These are the first productions in the new opera house, which opened at the beginning of the month (031-131300)

HAMBURG

Staatsoper Tonight, Sat: Roberto Abbado conducts Andreas Homoki's new production of Rigoletto, with cast headed by Franz Grundheber, Mario Giordani and Hellen Kwon. Tomorrow: Henze's ballet Undine, choreographed by John Neumeier. Fri, Sun: Cosi fan tutte. Tues: Hamburg Ballet Aids gala (040-351721)

Musikhalle Sun morning, Mon and Tues evenings: Gerd Albrecht conducts Hamburg State Philharmonic Orchestra in works by Brahms and Ravel, with piano soloist Andrei Gavrilov (040-354414)

LEIPZIG

Gewandhaus Tomorrow, Fri: Kurt Masur conducts Gewandhaus Orchestra in works by Beethoven, Turrin and Mahler, with trumpet soloist Philip Smith. Sun: Justus Frantz conducts Middle German Radio Chamber Philharmonic in Haydn and Mendelssohn. Sun (Kleiner Saal): Gerhard Oppitz piano recital. Mon: Horst Förster conducts Leipzig Academic Orchestra in Vivaldi, Mozart and Haydn, with vocal and instrumental soloists (0341-713 2280)

LYON

Opéra Tonight, Sat: Kent Nagano conducts Louis Erlo's new production of Berlioz's La Damnation de Faust, with Susan Graham, Thomas Moser and José van Dam (repeated Oct 30, Nov 2, 5, 8). Oct 31: Itzhak Perlman violin recital (tel 7200 4545 fax 7200 4546)

MUNICH

Gasteig Tonight: Bryan Ferry. Tomorrow: Enoch zu Guttenberg conducts Munich Bach Collegium in choral works by Bach and Mozart. Fri: Yevgeny Svetlanov conducts Russian State Symphony Orchestra in Tchaikovsky and Skryabin, with piano soloist Andrei Gavrilov. Mon: Justus Frantz conducts Middle German Radio Chamber Philharmonic in Haydn, Mozart and Mendelssohn. Tues: Fabio Luisi conducts Munich Radio Orchestra in concert performance of Giordano's Fedora, starring Agnes Baltsa (089-4809 8614)

Herkulessaal der Residenz Tomorrow: Munich Chamber Orchestra plays works by Frank Martin, Hummel, Schnittke and Strauss, with viola soloist Kim Kashkashian. Mon: Valery Afanassiev piano recital (089-299901)

Staatsoper Tomorrow: Lucia di Lammermoor with Edita Gruberova and Dennis O'Neill. Fri, next Thurs: Nabucco with Renato Bruson and Julia Varady. Sat: Ashton's ballet La fille mal gardée. Sun, next Wed: Dvorak's Dimitrij, with Kenneth Garrison and Livia Aghova. Tues: American ballet programme. Oct 31: first night of new production of Don Giovanni, conducted by Colin Davis and staged by Nicholas Hytner (089-221316)

NICE

Opéra A new production of Verdi's I due Foscari, conducted by John Mauceri and staged by Pier Luigi Pizzi, opens on Oct 28 for four performances with a cast headed by Paolo Coni and Nelly Miricolu (9380 5983)

OSLO

Konserthus Tomorrow, Fri: Jiri Belohlavek conducts Oslo Philharmonic Orchestra in works by Dvorak, Martinu and Beethoven (2283 3200)

STOCKHOLM

Royal Opera Tonight, Fri, Tues: La boheme. Tomorrow, Mon: Aida. Sat: Ingvar Lidholm's Strindberg opera A Dream Play. Oct 28: first night of Yevgeny Poliakov's new production of Minkus' ballet Don Quixote (tickets 08-248240 information 08-203515)

Konserthuset Tonight: Nicholas Cleobury conducts Stockholm Wind Symphony Orchestra and Philharmonic Chorus in works by Copland, Tippett, Ives and Bruckner (tickets 08-102110 information 08-212520)

STRASBOURG

Palais de la Musique Tonight: Pascal Verrot conducts Strasbourg Philharmonic Orchestra in works by Weber, Beethoven and Ravel (8852 1845)

Théâtre Municipal Tomorrow, Sat, next Mon: Friedrich Haider conducts Dieter Dorn's new production of Salome, with cast headed by Cynthia Makris and Philippe Rouillon. Next Tues: Nathalie Stutzmann sings Schumann Lieder (8875 4823)

STUTTGART

Staatstheater Tomorrow: Achim Freyer's production of Der Freischütz. Fri: Rolf Riehm's new opera Das Schweigen der Sirenen. Sat, next Tues, Fri and Sat: John Cranko's ballet Onegin. Sun, next Wed: revival of Johannes Schaaf's production of Lady Macbeth of Mtsensk, starring Kathryn Harries. Next Mon, Thurs: Monteverdi's Ulisse (0711-221795)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channal: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

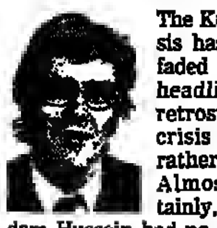
FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Edward Mortimer

The phoney war

A more active strategy to get rid of Saddam Hussein is essential



The Kuwait crisis has already faded from the headlines. In retrospect the crisis appears rather phoney. Almost certainly, Mr Saddam Hussein had no intention of attacking Kuwait this time.

Yet the crisis was also real, because in this game "almost" is not good enough. A lot of people, after all, were almost certain he would not do it in 1990. As a result, the US put out confusing messages, which he misread as signs of weakness or indifference.

This time, if one judges by the Iraqi media, Mr Saddam had identified Mr Bill Clinton as "the hesitant president" on the basis of events in Somalia, Korea and Haiti. Well, Mr Saddam is not alone in that. Probably his objective was merely to stage a crisis, to which a "diplomatic solution", perhaps involving ex-president Jimmy Carter, would have to be found. But had Mr Clinton not sent troops to Kuwait, Mr Saddam could well have taken it as a sign that the US had no stomach for a second Gulf war, and forged ahead.

Now both sides are claiming victory. The US is apparently satisfied with the passage of yet another United Nations Security Council resolution, requiring Iraq not to deploy its troops in positions thet enable it to threaten Kuwait and warning of "serious consequences" if it does. Mr Warren Christopher, US secretary of state, believes this gives the US "all the necessary authority to act" against Mr Saddam if he threatens Kuwait again. But this interpretation is contested by France and Russia. In Baghdad, official spokesmen and even some western diplomats believe the crisis has strengthened Iraq's position, by pushing the lifting of sanctions higher up the international agenda and bringing Russia back into the argument on Iraq's side.

Certainly the crisis revealed the existence of a broad coalition of business, diplomatic and humanitarian lobbies in favour of easing or lifting sanctions. These lobbies point out that Mr Saddam's removal (unlike that of General Raoul Cedras in Haiti) has never been called for by any UN resolution; and they argue that Iraq's compliance with the resolutions that have been passed should be rewarded. This would supposedly relieve the needless suffering of the Iraqi people, while allowing western companies to win lucrative contracts and making it possible to build Iraq back into the regional security order, as a bulwark against the alleged Iranian threat.

Yet in reality none of those objectives is likely to be realised while Mr Saddam remains in power. His lack of concern for the suffering of ordinary Iraqi people is amply attested. Food and medical supplies are not covered by the sanctions,

The US will not agree to lift sanctions so long as Saddam remains in power

and Mr Saddam evidently has money he could spend on them if be so chose. More money could be raised for that purpose by selling oil under tha terms of Security Council resolution 706, which specifically provides for it. If he is allowed to sell oil and spend the money as he likes, we can be sure he will have other priorities.

As for regional security, it is inconceivable that western or regional powers will again make the mistake of building up Mr Saddam as a bulwark against Iran. Even business opportunities would be limited by a continued arms embargo, by memories of what happened to foreigners in Iraq during the 1990 Kuwait crisis, and by general uncertainty about the stability of a regime so blatantly lacking any popular base, especially in the southern oil-producing region.

In any case, it is now clearer than ever that the US will not agree to lift sanctions so long as Mr Saddam remains in power. Yet at the same time there is no guarantee that sanctions will remove him; and if they do he will not go quietly. Even Gen Cedras agreed to step down only when US troops were already on the way to force him out. Before that, he had done all he could to prove that sanctions were hurting the innocent Haitian masses more than they were hurting him.

Mr Saddam is doing the same, and he has other tricks up his sleeve. The feint against Kuwait was one. The next could well be a new move against the Kurds in the north, starting perhaps with the area south of the 36th parallal which is not covered by the "no fly zone", and hoping that Turkey would refuse to authorise retaliation by western aircraft based on its soil.

The three-year-old US strategy of waiting for sanctions to work and reacting to Mr Saddam's provocations as and when they happen is not good enough. A more active strategy to get rid of him is essential, and should include some or all of the following elements:

- expanding the no-fly zone to cover all of Iraq, and excluding all armour and heavy artillery from both north and south;
- encouraging the opposition Iraqi National Congress to set up a provisional government in the exclusion zones, with financial and military support from Saudi Arabia and Kuwait;
- stating explicitly that sanctions will be lifted only if Iraq accepts Security Council resolution 688 (which correctly identifies Mr Saddam's internal repression as e threat to international peace and security and calls on him to stop it) and if UN human rights monitors are allowed throughout the country as recommended by the UN special rapporteur;
- lifting sanctions on areas controlled by the provisional government as soon as it accepts these conditions;
- setting up an international war crimes tribunal on the lines of that for Yugoslavia, and indicting Mr Saddam.

Such a programme would remove the ambiguity about the purpose and target of sanctions, and would make it clear, notably to the Iraqi armed forces, that the country can be saved from anarchy only by hastening Mr Saddam's downfall, not by delaying it.

Glorious, stirring sight! The poetry of motion! The real way to travel! The only way to travel! Here today – in next week tomorrow! Villages skipped, towns and cities jumped – always somebody else's horizon! O bliss! O poop-poop! O my! O my!

Charles Batchelor on the UK government's disenchantment with the 'great car economy'

Dying romance of the open road

Few have been so stirred by the romance of the open road as Mr Toad, the irrepressible hero of Kenneth Grahame's children's classic, *The Wind in the Willows*, on his first sight of a motor car. But 90 years on from Mr Toad's fictional adventures, this Elysian view of the car has dimmed as growing numbers of motorists take to the road.

Official forecasts suggest that the number of cars on Britain's roads could double by 2025. While the car remains a potent symbol of freedom, its economic and environmental costs are being weighed more carefully by the government.

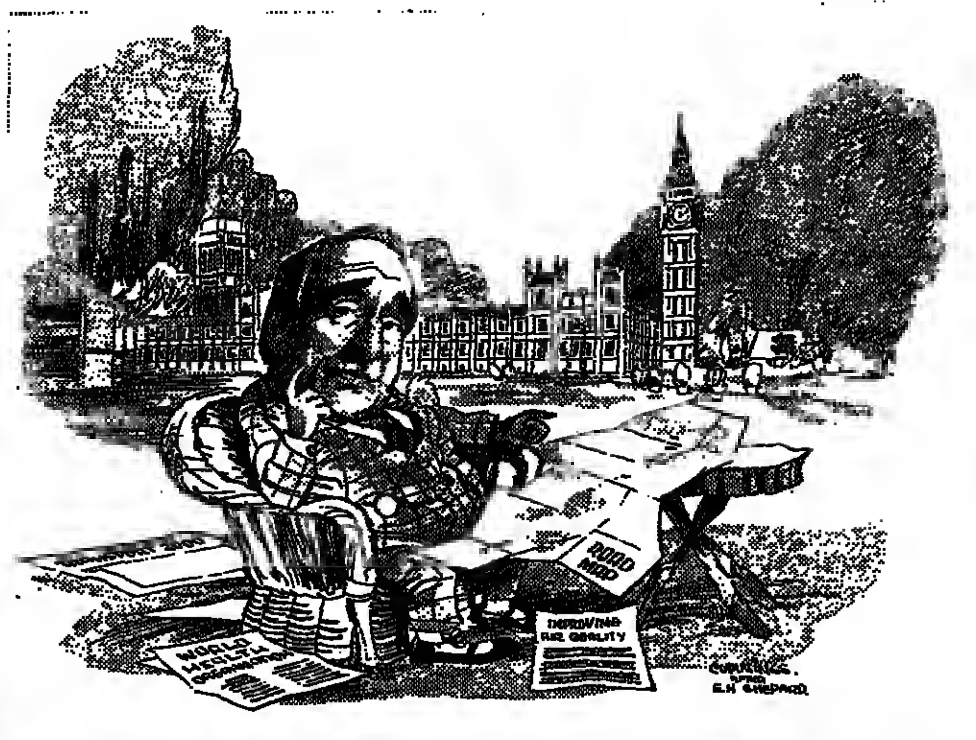
This represents something of a change for the Conservative government. In 1979, Mrs Margaret Thatcher, then the newly-elected prime minister, urged that nothing should come in the way of "the great car economy".

Last week, Dr Brian Mawhinney, the new UK transport secretary, struck a different note in his address to the Tory party conference. He caught the headlines with a strong environmantal attack on vehicle pollution, announcing tougher exhaust standards and roadside tests designed to take the worst polluting vehicles off the road. "I aim to get rid of these belching monsters once and for all," he told delegates.

Signs that the environmental arguments are beginning to count for more in UK transport policy have become apparent since the Rio Earth Summit in 1992 when the UK committed itself to producing a detailed environmental strategy.

A recent environment department discussion paper, Improving Air Quality, identified the car as the number one source of pollution.

"In some areas of the UK, even where there is no significant industrial activity, high levels of air pollution can occur," the discussion paper stated. "In these areas, largely due to motor vehicle emissions, World Health Organisation guidelines [on pollution levels] are often exceeded."



The department concluded that the growing evidence of links between poor air quality and serious medical conditions such as asthma, the incidence of which is increasing particularly among children, demanded careful attention.

Further support for the environmental arguments against tha internal combustion engine is expected to come next week when the Royal Commission on Environmental Pollution, announces the findings of a study into the environmental impact of Britain's traffic.

The 300-page report, the result of nearly two years' work by a 16-strong team of scientists and environmental experts, will make some 100 recommendations on how to deal with transport problems.

There will be a strong emphasis in the report on tax measures to curb car use, with a doubling of the price of petrol over the next 10 years singled out as one desirable aim. The government is already committed to increasing fuel duty by at least 5 per cent a year and is expected to raise it by considerably more in the November Budget. The aim of the report, according to Sir John Houghton, commission chairman, "is not to clobber the car but to give much more serious consideration to environmental factors".

Air pollution is not the only environmental influence at work on transport policy. The visual impact of roads in ancient towns and the countryside gobbled up by tarmac have prompted a rethink.

Increasing environmental pressures were explicitly acknowledged last March when the government dropped or froze a third of the road schemes planned for the next 10 years after a review of the £23bn roads programme.

And pressure to reduce the roads programme further is likely to grow when the government publishes a new study, by the Standing Advisory Committee on Trunk Road Assessment, a government advisory body. This is believed to conclude that new roads generate extra traffic and fuel the cycle of road use and congestion.

Dr Mawhinney is under strong pressure to publish the study as soon as possible, so its findings can be taken into account in public inquiries into proposed road schemes.

This new environmental emphasis in transport policy reflects the broadening coalition against road-building. When the groups ranged against the government's roads programme comprised environmental organisations such as Greenpeace and Friends of the Earth, they were dismissed as "single issue" lobbyists.

But increasingly, more establishment groups such as the Council for the Protection of Rural England and the Royal Institution of Chartered Surveyors have raised their voice against an unbridled expansion of road transport.

And Tory backbench MPs with constituencies threatened by new road-building have added their voices to the cause. As many as 35 Conservative MPs hold marginal seats that would be affected by proposed trunk road schemes, according to Friends of the Earth.

Financial pressures, too, are coming to bear on the road programme as the government seeks cuts in expenditure to reduce the public sector borrowing requirement.

One consequence of this tighter financial regime is a rethink of the way roads are financed. With the exception of a small number of bridges and tunnels which charge tolls, driving on Britain's roads has been free at the point of use.

By introducing tolls on motorways, the government would raise funds to improve the network and make drivers reconsider the attractions of public transport. The government is assessing proposals for a system of electronic tolls and is also looking at "congestion charging" – making motorists pay for driving in towns.

But it will be some years before tolling can produce e new source of income for roads. As an interim measure the government is attempting to bring private-sector expertise into the management of roads with contracts which require companies to build and manage roads in return for payments – shadow tolls – based on traffic volumes.

Environmental groups remain suspicious of the government's intentions. "We don't see any sense of urgency about questions such as traffic growth," said Ms Lynn Sloman, assistant director of Transport 2000, which lobbies for public transport.

As for Dr Mawhinney's stirring speech at last week's party conference, anti-road lobbyists point out that the roadside clampdown on polluters will last just two months and involves no new money.

Dr Mawhinney says that there is no unanimity about what constitutes an environmental transport policy.

For instance, many people in towns and villages bisected by a busy road want a by-pass but this worries environmental campaigners concerned at the loss of open countryside. And forcing motorists to pay the full cost of transport pollution and accidents – estimated at between £10bn and £20bn a year – would severely damage the economy by putting up transport costs. It would also disadvantage country dwellers who are more likely to vote conservative than those who live in cities.

Dr Mawhinney says his role is to balance the conflicting voices. But it is clear that, for a mix of environmental and financial reasons, the balance will be differently struck in the future.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Nationwide sale shows lessons to be learnt

From Mr Trevor Harvey.

Sir, Andrew Taylor's article ("Estate agents pay price of boom years", October 13) gave members of the Nationwide Building Society useful information about why their estate agents' offices, bought at an average price of £400,000, were sold at a price of three for a pound and why, as a result of the directors' judgment, their accumulated funds are now £200m lower than they might otherwise have been.

While Nationwide's members are now informed, their power base is too diffuse for the directors to be held accountable in any effective sense. As a result of directors' decisions, Nationwide's balance sheet is arguably at least £200m weaker than it might otherwise have been. How are Nationwide's directors to be held accountable? The traditional reply of the proponents of tha status quo is to point to the power of members to remove the retiring directors at tha next annual general meeting.

The reality of life is that 97.5 per cent of Nationwide's members chose at the last AGM to act like pure consumers rather than members of a mutual organisation. They neither voted in the election of directors nor attended the AGM. Directors of building societies generally operate in an accountability vacuum and it is not really their fault. If members have given up on mutuality as an effective form of corporate governance, that needs to be recognised.

Selling for a pound what has cost £200m of somebody else's money to acquire is not very clever. What is even less clever is that the somebody else in question will not be bothered to do anything about it. The Treasury's review of current building society legislation, particularly in relation to the accountability of boards to members, will need to recognise the world as it really is if corporate governance within societies is to change and become effective.

Trevor Harvey,
42 Freemans Close,
Stoke Poges, Bucks SL2 4ER

Coal contracts too short term

From Mr Peter Vincent.

Sir, Michael Smith ("Private bidders' dash for coal", October 13) rightly points out how critical the future market for coal will be to the success of the preferred bidders.

By its very nature, coalmining needs long-term investment if it is to thrive. But investors expect a degree of certainty and, looking ahead, we see precious little of it.

RJB Mining is effectively set to take over tha remaining English coal fields, and with them the bulk of contracts to supply power generators. But what will happen when these five-year contracts expire in 1998? In our view, 10 or 15-year contracts are needed and unless these can be negotiated it is difficult to see there being any incentive for RJB Mining to put in the long-term investment the industry needs.

Without the certainty of such contracts, we fear there may be a temptation to focus on immediate high value production at the expense of assets which need longer-term investment in order to be realised. This may be profitable in the short term, but is it really the best way of meeting the country's future energy needs?

Peter Vincent, chairman,
minerals market panel,
Royal Institution of Chartered Surveyors,
12 Great George Street,
Parliament Square,
London SW1P 3AD

City advisers add vital dimension

From Mr C D Collins.

Sir, I read with interest that certain leading company acquisition teams believe they "can do everything a merchant bank can do" ("No Adviser the magician's rival", October 11). Hanson has small teams in London, New York and now Hong Kong and we also believe in doing as much work as possible ourselves. However, our company's founders were probably as knowledgeable on this subject as any in-house team, but never felt they could do without thair "City advisers".

You acknowledge that banks must be used for flotations and takeovers, but there is another vital dimension – the generation of ideas. The City has an array of talent and specialisation which no in-house team could hope to match. Help from banks is particularly relevant for expansion in unfamiliar geographical areas. As they are not charities, banks are not going to come up with ideas unless they are going to produce business.

C D Collins,
director, corporate development,
Hanson,
1 Grosvenor Place, London SW1

Muzak – an irritating and noisy distraction

From Mr Robert T Street.

Sir, I was interested to read the article, "Muzak to the ears" (October 13). Personally, I will always walk out of any shop, restaurant or hotel which uses so-called background music. I would also get off any aircraft doing the same thing, if it were possible without doing myself serious damage.

The whole point is that one has no control over this form of pollution. One cannot alter it, suppress it or, best of all, get rid of it entirely, except by going elsewhere.

Whatever Muzak or its British equivalent is labelled, it is noise – and noise which one cannot switch off is not only an irritant, but likely to cause increased blood pressure, nervous exhaustion or worse in susceptible people.

To the misguided managements of Mothercare, Harrods and other proponents of this insidious form of pollution, I would ask – do people visit their stores to hear music? No, they go there to view and perhaps buy. Why therefore distract them?

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Balladur not answering for others

From Ms Carmel Fitzgerald.

Sir, As usual, you exaggerate the excellence of French Prime Minister Edouard Balladur. He does not, as you would have us believe, say that he will "answer for those locked up" in the Plantu cartoon which accompanied your article, "Corruption rocks French ship of state" (October 17).

The unfortunate Mr Balladur actually says "Right, I'll call a register to see who's in the clink or otherwise indisposed". Not even the FT's Man of the Year answers for the corruption of his cabinet adjutants.

Carmel Fitzgerald,
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France

Basis of book market share

From Mr Bill McGrath.

Sir, I am writing in response to Michael Goldman's comments (Letters, October 17) regarding Dillons' market share. The information I quoted related to six of the leading specialist bookselling chains (which are closely comparable with Dillons). Information on sales from these chains is consolidated by an independent company, Book Marketing, and reported to each chain on a weekly basis.

The latest information from Book Marketing shows Dillons' share of these chains has increased to 42.1 per cent. Book Marketing estimates that these chains constitute roughly 30 per cent of the overall retail book market – ie, excluding book clubs and institutional sales. The overall retail book market, on the same basis, is estimated at roughly £1.3bn, which is consistent with Dillons holding about 12 per cent of the retail book market.

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FINANCIAL TIMES

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Controlling state aids

The European Commission's powers to police government subsidies to industry are unique among the world's competition authorities. However, Brussels seems increasingly to be wielding a rubber stamp, not a truncheon. Last week, it waved through a FFr11.1bn state bail-out of Bull, France's nationalised computer maker, soon after blessing a FFr20bn rescue of Air France.

Approval of these hand-outs is only the most visible sign of faltering enforcement. EU state aids have grown sharply since 1990, because of recession and subsidies by the German government to eastern Länder. But though the Commission has stepped up monitoring, it turned down last year barely 1 per cent of cases notified.

State aids are defensibls if applied on a non-discriminatory basis for socially beneficial objectives, such as research and development. But when used to prop up lame ducks, support national champions or induce inward investments, they threaten serious economic damage. They shelter recipients from market disciplines, retard industrial adjustment and penalise efficient producers. In short, they are disguised trade barriers which threaten to fragment the single market.

The biggest flaw in existing EU controls is that they are too open to political manipulation. Upholding competition is not always the first priority of all commissioners involved in state aids decisions, above all when it means offending the governments which appoint them. Such conflicts of interest could be avoided by hiving off decisions to an independent European cartel office. Germany favours that solution, but opposition from other governments makes it unlikely to be adopted.

Staps can still be taken to strengthen snforcement. Making Commission proceedings more transparent would increase pressures on governments to fall toto line. Brussels's criteria also need to be rationalised. Separate guidelines for excess-capacity industries, such as steel and cars, make for inconsistency, and are also sometimes overridden by competing regional policy goals.

Still more anomalous is the treaty requirement that aids to state and private companies be judged on the same basis. Not only does state ownership make it nearly impossihls to know whether aid is being granted on commercial terms; by implicitly guaranteeing companies against bankruptcy, it undermines competition. Brussels should have the right to insist on privatisation as a condition for approving aid.

Yet state aids policy will remain an imperfect discipline, requiring bureaucrats to second-guess decisions by private investors and managers. The wisest policy is to minimise the need for intervention by strengthening the market. It is no coincidence that many European industries where state aids are common, such as airlines, steel, cars and textiles, are protected from international competition. Closed markets maximise the distortionary impact of subsidies; trade barriers only perpetuate governments' belief that funds poured into inefficient companies can continue to earn a return.

True, removing trade protection might temporarily increase the incentive to subsidise. In the longer term, however, the sustained pressure of competition would do more to spur industrial rationalisation – and to make apparent the true costs of subsidies – than any amount of policing by Brussels.

Without charge

Compared with Germany or other countries in central Europe, let alone those of the third world, the UK does not have a refugee problem. The number of asylum applications peaked in 1991 at 44,800, falling to 22,370 last year. Yet the British Home Office finds it necessary to hold a growing number of applicants – currently about 600 – in detention.

In a report published this week, and based on 50 cases selected at random, Amnesty International found an average of nearly five months' detention before release or expulsion. More than half those studied were detained for over four months. Also, more than half spent at least part of their detention in a criminal prison, in violation of international standards.

A separate study by the Medical Foundation for the Care of Victims of Torture deals with 47 detained asylum seekers examined by doctors from the foundation since January 1993. All claimed to have suffered torture in their own countries; all were found to be credible.

The most disturbing aspect of the system is that detainees are held without charge. In the great majority of cases the initial decision to detain is made by an immigration officer with only minimal training in asylum issues and no specialist knowledge of the political situation in countries from which refugees come. Yet there is no requirement, as there is for people accused of crimes, that the detainee be brought before a court or independent review body within a fixed period of time.

The government says that detainees are told the reasons for detention. Yet many immigration officers seem to be unaware of this obligation. In any event no written statement of reasons is given. Some detainees (but not all) are eligible for bail. This, however, requires two persons willing to act as sureties by pledging a substantial sum of money. Even then, there is no presumption in favour of bail (as there is in criminal cases), and Home Office lawyers usually oppose it.

The ostensible reason for subjecting a small proportion of asylum seekers to this treatment is the fear that they would otherwise abscond. Yet seldom if ever is any reason given why some are more likely to do this than others. In 22 of the cases followed by Amnesty the person was eventually released before his/her case was resolved. Not one of these subsequently absconded.

No other EU country detains asylum seekers for such long periods, or without judicial process. As well as being expensive for the British taxpayer, the practice is contrary to international human rights law. The government should act promptly to ensure that asylum seekers, not accused of any crime, have at least the same rights as people who are.

N Korea on trust

Any assessment of North Korea's nuclear agreement with the US has to be tentative while the fine print remains shrouded in obscurity. Yet the outside world should start out by willing the accord to work.

It would be easy to dismiss the agreement on the grounds that it sets a poor predecent to reward a country – with aid and recognition – after it so wilfully flouted the nuclear Non-Proliferation Treaty. It could still be years before North Korea is obliged to reveal the full extent of its nuclear weapons development. Meanwhile Pyongyang could still perfect the manufacture of bombs. In short, it seems in no way a reliable recipient of sensitive western technology.

Such arguments will doubtless appeal to hawkish politicians, especially in the US. But they must also consider the alternatives. No agreement of any sort would be possible without some trust in North Korea's good faith.

There are certainly risks in the present approach. It is far from clear whether North Korea will in practice agree to reopen bilateral talks with South Korea on de-nuclearisation, or that it will agree to spot inspection of its facilities. South Korea will have a long wait before it can feel secure. Yet these risks are small compared with those of allowing the status quo to continue. There would be little regional support for a policy of confrontation, so economic sanctions would never stick.

The agreement has merit in giving the west leverage over Pyongyang. Concessions are to be phased in as a reward for good behaviour, with the establishment of a US liaison office in the North Korean capital – and the *de facto* recognition which that implies – coming late in the process.

Meanwhile, North Korea will become increasingly dependent on the west, needing oil imports during the switch to the new light-water technology and access to imports of enriched uranium thereafter. That should encourage it to open up its economy. Similarly, the fact that South Korea is to supply the nuclear equipment, and probably a large chunk of the finance as well, will give it influence in the North at a sensitive time of economic and political transition. It is in everybody's interest that that transition should be orderly.

By agreeing to the use of South Korean/US technology rather than that supplied by Russia and Germany, North Korea has made a considerable concession. This is perhaps the strongest indication of its desire to conclude an agreement that sticks. If so, it is also a sign that Mr Kim Jong-il, who seems formally about to take over North Korea's leadership, is seeking some kind of rapprochement. It would be foolish now to drive his country back into isolation.

Regional rivals hot on its heels

High fees and regulation are taking their toll on Tokyo's financial market, says Gerard Baker

As the bullet train from Osaka rounds its final curve into Tokyo's central station, a 60-foot-high neon map glows above the tracks, displaying the world's latest trading news: from New York, London and Tokyo.

There could be no clearer icon of Tokyo's self-image as one of the three great financial capitals. But as a picture of reality, the map is beginning to look dated.

In the 1980s, few would have questioned Tokyo's membership of the exclusive troika. Financial institutions flocked to the city, drawn by a vast pool of investment capital and the liberalisation of its markets.

Four years ago, the bubble economy collapsed, ending the period of spiralling asset prices in the late 1980s. But even then, tbs city remained a leading capital centre.

However, the long malaise that has gripped Tokyo's financial markets in the 1990s has finally laid bare its fundamental uncompetitiveness. And in the past year there has been a financial exodus from Japan's markets that has left Tokyo well behind its two older global competitors and threatens its position as the leading market in Asia.

The most tangible evidence of this is in the stock market. Last month, British Gas became the latest company to announce that it would delist from the Tokyo Stock Exchange. In the past three years, foreign companies have been signing off at the rats of one a month. In 1991, 127 foreign companies were listed in Tokyo. The departure of British Gas has reduced the total to 93 – and many of those left are considering joining the queue for the exit.

Most companies blame high costs. The price of a Tokyo listing is three to four times that in other leading markets, at Y15m to Y20m (£95,000 to £127,000) a year. As the volume of trading has declined, scores of foreign companies have come to regard that cost as unsupportable.

Worse for Tokyo, Japanese investors and companies have discovered ths attractions of other markets. The number of foreign purchases of Japanese shares in Tokyo has dwindled since 1992, while the value of Japanese shares traded in London has more than doubled. Even investors in Tokyo are choosing to buy and sell Japanese shares in London. Last year, for example, London accounted for nearly one-third of all the share trading in Matsushita, the electronics manufacturer.

But the loss of equity trading to London pales beside what many bankers and brokers in Tokyo regard as the main threat to its status: the shift from Japan to the other big financial capitals in Asia. While turnover on the Tokyo Stock Exchange has fallen by more than 25 per cent in three years, trading has increased fivefold in Singapore and quadrupled in Hong Kong.

To buy shares in Tokyo, investors have to pay fees up to eight times higher than in the world's other leading financial centres. Japan still imposes a 0.3 per ceot levy on all share transactions, and brokerage commissions are far higher.

In addition, Japan's regulatory environment has proved restrictive in some areas, proscribing some activities and attaching mountains of paperwork to others.

Companies hoping to list have to satisfy excessively tight capital and legal requirements and pass an endurance test of time-consuming procedures.

Trading in derivatives, complex instruments whose value is based in part on that of an underlying financial market, is primitive. Much of it is proscribed by arcane anti-gambling legislation.

And bond issuance is legally and financially restricted. For years, the euromarkets have been more attractive for raising funds through bonds denominated in yen. Moreovsr, there is an almost total absence of a secondary bond market, where bonds can be traded.

In contrast, Singapore and Hong Kong havs built on their reputation for liberal regulatory frameworks, lower costs, less red tape, and a welcome for business.

In derivatives, Japan has been left standing by Simex, the Singapore futures exchange. This applies even in derivatives based on Japanese markets, such as futures contracts for the Nikkei 225, the principal Japanese stock market index.

Since 1991, the trading volume of Nikkei 225 futures contracts on the Osaka Stock Exchange, Japan's main futures market, has declined from 1.75m contracts a month to 440,000. In the same period, the Simex Nikkei 225 futures market, where trading costs are cheaper than in Osaka, has grown from 60,000 trades a month to 405,000. Simex is expected to overtake Osaka in volume later this year.

Expanding Asian companies looking to raise funds have also shunned Japan's markets. In the past year, at least 10 Chinese businesses have chosen to make their home at the Hong Kong Stock Exchange rather than in Tokyo, despite the best efforts of the Japanese to lure them. And corporate bond issuance in Japan by companies in Asia has grown by just 25 per cent in the past three years, against a growth rate of several thousand per cent in Hong Kong.

Tokyo's failure to attract this business has led many foreign investment banks to cut their staff in Tokyo in the past year – in some cases to move them to Hong Kong and Singapore. Mr Peter Brutsche, vice-president of UBS Japan, the Tokyo arm of Union Bank of Switzerland, says urgent action is needed: "Time is now crucial. The Japanese administration needs to act fast to stop the haemorrhage that plagues the financial industry."

Snch sentiments have at last begun to unnerve the authorities. In the past few months, the Ministry of Finance's regulators have been alerted to the dangers, not only by domestic and foreign investors, but also by some bureaucrats in the Bank of Japan and the Ministry of International Trade and Industry, who recognise the threat to Japan's international status.

As a result, some changes have been approved and derivatives trading will become slightly easier later this year, although it will remain heavily circumscribed. And yesterday the Tokyo Stock Exchange announced a relaxation of some listing requirements for foreign companies.

These reforms, however, are limited and are proceeding at a painfully slow pace. The foot-dragging is not simply an innate conservatism. It represents a desire by the finance ministry to protect the interests of individual sectors, such as banks and brokers – but it has the effect of stifling Tokyo's markets.

Nevertheless, senior bureaucrats at the finance ministry argue there is little solid evidence that Tokyo's position is under serious threat. They concede it has lost ground to south-east Asian competitors, but point out that the strong growth of the south-east Asian region in the past few years has inevitably led to some shift in business.

Perhaps most importantly, ths scale of Japan's savings and current account surpluses means that the country is assured of a vast financial market. In 1993, Japan had the world's second largest government bond market and the second biggest stock market capitalisation. It is the world's largest capital importer and the biggest net capital exporter.

A finance ministry official argues this means there is no cause for alarm: "We will continue to monitor the developments in Asian and other markets, and if we need to act, then we will, but not by damaging the protection of the investor."

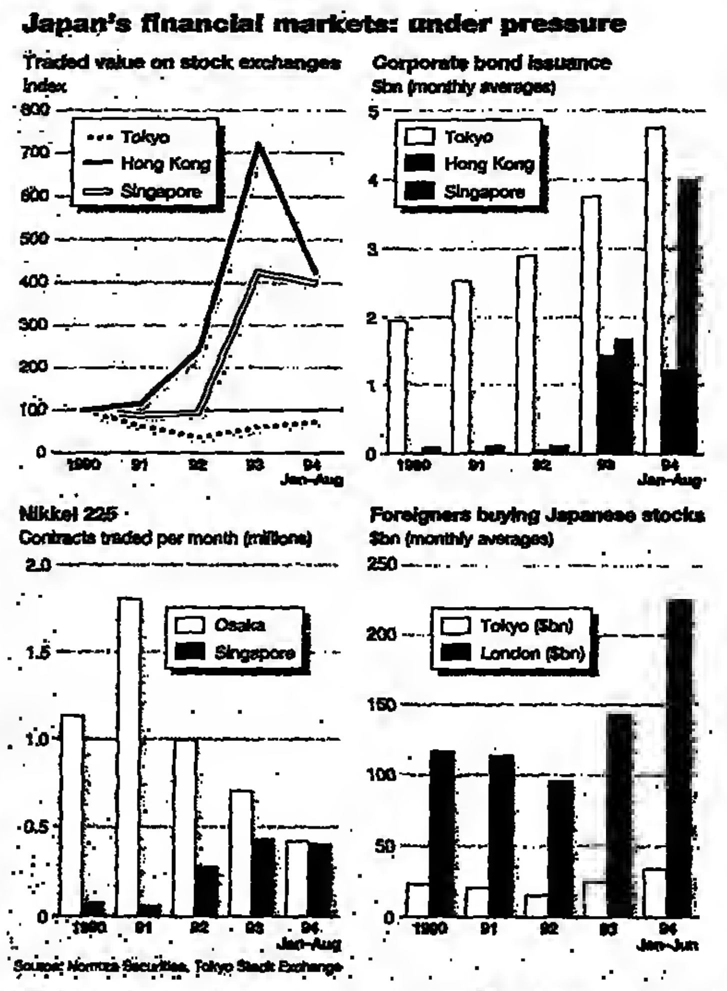
This sangfroid is not shared by many of Tokyo's financial community. In increasingly complex and international capital markets, the size of the domestic economy does not ensure the country's attractiveness as a financial centre – funds could simply move offshore. Frankfurt is the financial heart of an economy twice as large as any in Europe, yet it lags well behind London in significance.

"Tokyo is in real danger of being left behind in the frantic race in Asia," says Mr Fumikage Nishi, of Nomura Securities. "The only advantage it has is scale. But that will be insufficient, because without real deregulation, financial innovation in other Asian centres will rapidly outpace that in Japan."

A senior executive at an American investment bank goes further: "In the end it is not a question of kudos or status. It is about whether you have an open financial market that distributes capital effectively.

"If Japan does not have that kind of market – and it does not have it now – financial companies will go the sams way as manufacturers: abroad."

Japan's financial markets: under pressure



Source: Nomura Securities, Tokyo Stock Exchange

US healthcare: the issue that won't die

PERSONAL VIEW

When Senator George Mitchsll announced last month that he was ending his drive to pass a healthcare reform bill through Congress, he invited the American electorate to ask "Who killed healthcare?" He hoped that voters in next month's midterm elections would punish the assassins, including Republicans and other congressmen who have acted on behalf of the health industry interest groups operating on Capitol Hill.

However, the senator should look at the other end of Pennsylvania Avenue for an answer to his question. The two people most responsible for the failure of the bill are President Bill on and his wife, Hillary. As a presidential candidate, Clinton rode a tide of voter frustration with the US healthcare system, winning widespread support for fundamental change. Once in the White House, however, he had to make two fundamental choices on the route to reform.

First, should the priority be a swift dash to universal health coverage or measures to control costs? Second, should he put forward a detailed blueprint of his own or set out some basic principles and challenge Congress to fill in the details?

In drawing up legislative plans for universal coverage, the Clintons chose the first option in both cases. The complexity of the resulting proposals scuppered prospects for radical reform in 1994 by raising the opposition of too many interest groups. Yet, despite this setback, healthcare reform will return to the political agenda with the new Congress next year. Healthcare is too important an issue to disappear.

Employee health insurance costs remain a problem for business. Some of the largest employers have made progress in reducing their medical expenses, but they are far from satisfied. Many smaller companies have yet to see substantial benefits from attempts to drive down healthcare costs.

Local, state and federal governments must also giva priority to bringing medical costs under control. They are responsible for more than 40 per cent of US health expenditure through Medicaid and Medicare, two publicly funded schemes, and their own employees' health benefits.

Cost containment means giving further incentives to business to insure employees through health maintenance organisations that have proved successful in holding down costs. The health insurance market will attempt to reduce administration costs through further mergers and alliances. Medical litigation should also come under deep scrutiny from legislators. There are few congressmen who do not accept that too great a burden is put on doctors by law suits. While the legalistic culture of the US is likely to make reform difficult, it needs to be tackled.

The two people most responsible for the failure of the bill are President Clinton and his wife, Hillary

Savings in treatment costs would help keep the cost of health insurance down and allow more employers to offer coverage to staff and reduce the number who opt out of their employer's medical scheme on grounds of cost.

This incremental approach will, however, be insufficient for the liberal wing of Congress, which hankers after much wider coverage. The failure of the Clinton plan has probably taken universal coverage off the national agenda for the next few years (although some states may attempt to pursue it). An alternative may be to extend Medicaid benefits to selected groups, such as pregnant women and children.

Many of these proposals have already been tabled in the present Congress by the bipartisan "Mainstream Group" in the Senate and in the Cooper/Grandy proposal, which achieved cross-party support in the House of Representatives. Had these groups been given a free hand and two years to work on them, healthcare reform legislation might already have been signed.

They could not deliver largely because the healthcare debate had to wait nine months while the Clinton administration prodnced its 1,300-page draft plan. The plan proved so complex and divisive that another nine months elapsed before serious negotiations on a politically practical draft could begin. In the next Congress, representatives of both parties should be able to pursue such an agenda without the heavy hand of the White House.

The irony is that the White House has won on healthcare. It is now too big an issue to go away and the new Congress will have to take it on next year. Reforms based on incentives to contain the cost of treatment and limited steps to increase coverage may disappoint those who supported the Clintons' more ambitious healthcare plans. But they could be the chief achievement of the president's first term – even if he will get little credit for them in the 1996 presidential contest.

Tim Hames

The author is American Studies research officer at Nuffield College, Oxford

OBSERVER

Passing the Lloyds chair

■ Sir David Walker is not the first ex-Bank of England director to seek his fortune in the City and will almost certainly not be the last.

Yet his decision to step down as a deputy chairman of Lloyds Bank, when he was widely thought to be the chairman-in-waiting, is puzzling.

True, as chairman of Morgan Stanley's European operations Sir David is likely to earn several times the £223,000 that the chairman of Lloyds Bank got last year. At 54, he is still young enough to be able to make some serious money after a long career of public service. Even so be is turning down the chance of leading Britain's most successful High Street bank into the next century, in order to be the European figurehead of a Wall Street broker.

Whether or not Sir David sensed that the chairmanship of Lloyds was no longer in his grasp, his departure raises the fascinating question of who is going to lead Lloyds after 1996 when Sir Brian Pitman, Lloyds' chief executive, retires.

By then, Sir Robin Ibbs, the chairman, will be over 70 and though he might soldier on for another year, Lloyds Bank needs to find a new chief executive and chairman.

One possibility is for Sir Brian Pitman, 62, to take the chair. This would be a turn up for the books since Lloyds has never given the chairman's job to one of its own own managers before.

But Sir Brian has transformed the group and parallels could be drawn with Sir Edward Holden, who turned Midland Bank into the biggest bank in the world at the turn of the century, and was rewarded with the Midland chair which he held until he died.

Alternatively if Lloyds wanted to signal its intention of being a real retailer of financial services, it could do worse than give the chairman's job to a hlue chip retailer like Marks & Spencer chairman Sir Richard Greenbury, a recent recruit to the board.

Hard to know which would be the more surprising choice.

'We're looking for people with small fingers and low pay expectations'

At the Kohl face

■ The vast amount of newsprint devoted to the German elections in the English language press seems to have generated more heat than light.

No one for instance seems to be able to work out whether Hemlut Kohl's re-election is good or bad news for John Major's European policy.

The European editor of The Times, George Brock, writing on the Op Ed page, has Kohl pushing "European unification as hard as he can", the leader on the next page has the chancellor beginning to "champion the decentralisation of power away from the Commission".

At least the ubiquitous Josef Joffe, editorial page editor of the Süddeutsche Zeitung, who managed chunky pieces yesterday in both The Independent and The International Herald Tribune, is saying pretty well exactly the same thing in both organs.

Loose Heron

■ Memo to Michael Heseltine, president of the board of trade. Best keep an eye on Michael Heron, chairman of Britain's Post Office.

As an ex-Unilever marketing man he has competed with the best and has been given the job of exposing the Post Office to the winds of competition by taking it into the private sector.

So what was he doing seemingly rubbishing market forces in a speech to the 25th anniversary dinner of the renamed Institute for Employment Studies?

Heron concluded that there was not much difference between the market and the law of the jungle or the behaviour of baboons. It cannot solve most of the fundamental problems facing society.

That sort of stuff might be music in the ears of a bunch of soft personnel managers but it is not going to impress Her Majesty's Treasury.

Perhaps you need to be a bit more generous with the proposed share options for Heron and his chums.

Now you see it

■ At 8.39 yesterday morning Charles Hochman, who retired as chief executive of media-buying Aegis group on October 15, found himself the happy beneficiary of 500,000 share options.

The happiness was short-lived. By 14.22 the options had vanished, cancelled after Aegis was bombarded by City types saying that share options, after all, were meant to motivate management, not cushion pensioners. "It's all highly eccentric" said a City expert on corporate governance.

What was in the mind of Aegis' remuneration committee, which decides such matters? The committee is composed of Frank Law, the (non-executive) chairman; John Vogelstein of Warburg Pincus, a major shareholder; and Sir Kit McMahon, a non-executive director.

By way of elucidation, Law said yesterday that Hochman's options "were automatically triggered by (Hochman's) service contract dating from 1992," adding that the afternoon cancellation had Hochman's "full agreement".

Funnily enough, Aegis's latest annual report states that in February this year Law was given 500,000 shares – as was his wife, who is *not* a director nor even an employee of the company.

Aegis has been through difficult times recently. But then, no-one has ever got involved with it anticipating a quiet life.

Wind tunnel vision

■ New Zealand researchers are trying to increase the digestive efficiency of sheep and cows, in order to stop them belching.

A climate change-conference has been told that animals release massive amounts of methane into the atmosphere, a major cause of the so-called greenhouse warming effect.

Who's going to tackle the hot air released by think tanks, politicians, spokesmen, media types, luvvies...

FINANCIAL TIMES
Wednesday October 19 1994

Manufacturers want common standards on new technology

Brussels censured on car targets

By John Griffiths in Paris

Leading European carmakers yesterday accused the European Commission and EU governments of failing to meet financial and strategic planning obligations aimed at halving 50,000 road deaths a year by 2010.

Mr Jacques Calvet, Peugeot chairman, and Mr Giorgio Garuzzo, managing director of Fiat and president of the European Automobile Manufacturers Association, warned that unless Brussels and the 12 EU member states made better progress in creating common standards and electronic languages for such things as roadside beacons transmitting information to receivers in vehicles this goal would be threatened. In addition, technology dsveloped hy Europe's vehicle and component manufacturers would be overtaken by the Japanese and North American motor industries.

Industry leaders said that a 30 per cent improvement in transport efficiency, measured hy traffic flows, was also under threat. At stake are tens of hillions of Ecus, which business loses every year through delays, wasted man-hours and other costs, they maintained.

The warnings came at a Paris conference and exhibition at which 90 cars and commercial vehicles fitted with the technology developed under the eight-year, Ecu900m ($1.1bn) "Prometheus" collaborative research programme, which started in 1986, were being demonstrated.

The cars could:

- illuminate long distances in the dark with infra-red and ultra-violet headlights;
- automatically avoid collision with radar;
- cruise "intelligently" by automatically keeping pace witb vehicles in front;
- stay within white lines, thanks to computer image processing;
- know exactly where they were on the Paris road network via satellite, and
- summon smergency services to the exact location of a breakdown or accident with or without the driver taking any action.

Other technology on show, however – such as sophisticated ronte guidance, traffic management and logistics systems – depends on a harmonised "intelligent" transport infrastructure.

Mr Calvet and Mr Garuzzo sharply criticised "hudgeting prohlems" in Brussels and national governments, which have led to the 20 vehicle and component makers within Prometheus funding 70 per cent of the research programme.

The remainder is funded from Brussels and by national governments. It was "quite unacceptable" that some industry partners within the project "should be penalised because some countries do not support common financial commitments", Mr Garuzzo said.

There was also resentment over a lack of direction within Brussele over research programmes such as Prometheus, which is part of the Union's "Drive" transport research programme.

North Korea nuclear deal eases fears

Continued from Page 1

yang's alleged development of nuclear weapons.

The agreement is linked to the gradual improvement of bilateral relations between Washington and Pyongyang, which Mr Kang said, would "make a significant contribution to greater peace and security in Asia and the rest of the world".

The deal apparently provides for a delay in inspections by the International Atomic Energy Agency to determine whether Nortb Korea has reprocessed plntonium for nnclear weapons. Sonth Korean officials had expressed concern that such a delay would give Pyongyang more time to produce a bomb from plutonium it is suspected of having reprocessed five years ago.

There were also donhts in Seonl ahont providing Nortb Korea with international aid that could revive its troubled economy when it appears to be heading towards collapse.

Bnt officials yesterday acknowledged that they had little choics hnt to accept the accord conclnded hy the US. Soutb Korea's main military and economic ally.

Chinese inflation hits 27% as fears of social unrest grow

By Tony Walker in Beijing

China's annual inflation rate rose to 27.4 per cent in September, putting more pressure on tbe central government which fears social unrest.

The government has already introduced price controls in an effort to break the inflationary cycle. The September figure was up nearly two percentage points on August, according to figures released yesterday hy the State Statistical Bureau.

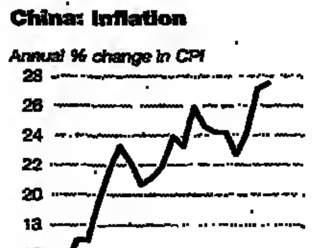
The gloomy economic news underscores the difficulties faced by the government, which admits that it has entered a "crucial" phase in its efforts to curh inflation. The authorities need to maintain high levels of economic growth or risk worsening unemployment and possihle social unrest.

The had September result seems certain to add to pressures on the leadership to stiffen remedial action taken last month to restrain price increases. The latest figures showed a further narrowing of the gap between the national cost of living increase and that in the 35 higgest cities.

Until recently, urban inflation had been rising faster than the national average. This suggests price curbs have been more effective in the cities than in provincial towns and rural areas. Urban cost of living was up hy 27.5 per cent in September, compared with the same month last year.

China: Inflation

Annual % change in CPI



Source: State Statistical Bureau

Western economists in Beijing view the inflation figures as an ominous reminder to the authorities of their difficulties in curbing inflation. "Whichever way you look at it, this is bad news for China," one said. "This shows inflationary pressures in the economy are still quite strong."

Mr Qiu Xiaohua, spokesman for the Statistical Bureau, hlamed the continuing inflationary spiral on food price increases due to drought in northern China and flooding in the south. He also said that the effects of administrative price rises for grain and other commodities were still heing felt. The state purchase price for grain has risen hy about 50 per cent in the past year.

Mr Qiu warned that China had entered a "crucial" phase in the last quarter of tbe year, with pressures increasing on the government to redouble its efforts to bring price rises under control. He urged that money supply growth be restrained, increases in capital spending be curbed and strenuous efforts be made to increase agricultural production.

Mr Qiu revealed that the M2 measure of money supply showed a rise of 34 per cent for the nine months compared with the same period last year. This compares with the government target of 24 per cent M2 growth for the year.

A western economist described as "worrisome" indications of the difficulty in restraining money supply growth. He saw little prospect of an easing of pressures on the government to provide subsidies to prop-up loss-making state enterprises.

Some 44.5 per cent of China's 11,000 large and medium-sized enterprises were in the red in the first nine months, according to the Statistical Burean spokesman

IBM to sell off UK manufacturing plant

By Alan Cane in London

International Business Machines, the world's largest computer maker, is within weeks of agreeing the sale of all or part of one of its best-known European manufacturing operations.

The site, at Havant in the south of England, principally manufactures disk drives for personal computers and is the sole source of some important IBM systems.

It employs some 1,500 people and turns over more than £500m ($790m) a year. It is profitable, although separate figures are not published.

The planned disposal follows the sale of a majority stake in the company's printer operations at Jarfalla, Sweden, to a Swedish venture capital company earlier this year. It also follows the opening of part of its Montpellier, France, manufacturing facilities for lease by other companies.

These are unprecedented moves for the company whicb bas traditionally owned and controlled its manufacturlng capacity.

The sites at Havant, Jarfalla, Montpellier and Valencia in Spain were identified last year as "surplus to requirements" as part of the computer giant's strategy to return to profitability. IBM has been reducing staff numbers and manufacturing capacity as it comes to terms with the economics of a computer industry dominated hy personal computers which yield low profit margins compared with mainframe computers, its traditional strength.

Havant has been operating as an "independent business units" – run by local management with the option to seek manufacturing contracts from outside customers.

The staff were told this week that several potential new owners had been identified and that the parent company expected to make a final decision in the near future.

IBM yesterday said a small number of potential buyers had been invited to view the plant's operations and examine the books.

THE LEX COLUMN

Invisible benefits

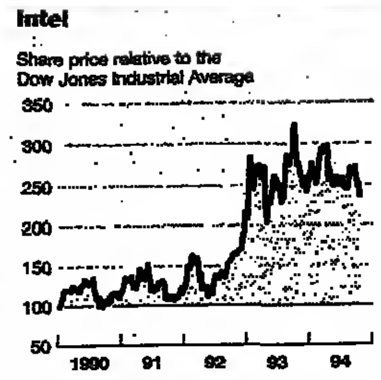
Three drugs companies hava collectively forked out $13hn on so-called pharmacy benefit managers over the past 15 months. All three posted results yesterday. Eli Lilly was understandably silent about its PCS acquisition because the purchase is yet to be completed. More curious was that neither Merck nor SmithKline Beecham provided anything to enlighten shareholders whether their money had been wisely spent. Such information would have been appropriate because the two rationales given at the time of the deals are increasingly doubtful: that the drugs groups would gain market share hy pushing their drugs through the distributors; and that the distributors' patient data would allow them to assess medicines' cost-effectiveness.

With hindsight it is clear there are less expensive ways of accessing such patient data. Indeed, health maintenance organisations hold far more complete treatment information than distributors and are quite willing to share it for relatively small considerations. Meanwhile, the market share argument is threatened by the Federal Trade Commission's concern that prescribing policies which exclude other groups' drugs could be anti-competitive. Perhaps tba companies' silence was motivated hy embarrassment. The 1.5 percentage point increase in market share that Merck is estimated to have achieved after its Medco acquisition seems scant reward for a $6.6bn investment. The drugs industry's diversification into distribution looks an expensive mistake.

FT-SE Index: 3085.3 (-34.9)

Intel

Share price relative to the Dow Jones Industrial Average



Source: FT Graphite

Intel

Intel is impressive and aggressive. The group's lock on the global microprocessor market allowed it to boost sales in the third quarter hy 28 per cent compared with the previous year. Operating margins have slipped hut they were still a mouth-watering 34 per cent. Moreover, the decline is partly due to Intel's diversification into lower-margin prodncts such as video-conferencing kit and partly because margins on 486 chips, which account for the bulk of its production, have shrunk. As production of the more advanced Pentium processors is increased, margin erosion should halt.

Fat margins are, of course, a temptation to rivals. It is in fending off the competition that Intel has displayed its aggression. Not only has it pursued Advanced Micro Devices mercilessly for alleged patent infringements, it has embarked on a high-profile campaign to accelerate the industry's move from 486 to Pentium chips. In that way, it aims to keep ahead of its rivals. The company's "Intel inside" campaign has already resulted in a public spat with Compaq, which does not wish to accelerate the change to Pentium-based personal computers while its warehouses are full of 486 models. The risk is that Intel will become so unpopular that customers desert it. But the evidence so far is that, much as they may want to, they do not have the option.

Gilts

After a good run, the gilts market was looking for an excuse to consolidate yesterday. The public sector borrowing requirement figures held no horrors and the announcement that tbis month's gilts auction will be £2.5bn hardly came as a shock, given that the Bank of England is giving November a miss. Yet the morning's sharp correction could not he explained entirely by renewed dollar weakness and profit-taking in German hunds.

Instead the finger was pointed at the Confederation of British Industry's September retail sales survey and the much stronger than expected figures for volums growth. Even analysts sceptical about the CBI survey's accuracy were tempted to push up their forecasts for today's official numbers, some dramatically so, and those looking for a reason to sell gilts could claim they detected the whiff of returning inflation.

But the cries of wolf are increasingly falling on deaf ears and prices ended well off tbeir lows. Even if retail sales have picked up as the CBI figures imply, the anecdotal evidence suggests the volume growth has not made it any easier for retailers to push up their prices. Many City economists have now come round to the Bank of England's more relaxed view on inflation. Yet despite the recent rally, yields are still telling the old story and gilts promise much if the governor is right.

Japanese cars

Production figures released hy Toyota and Nissan yesterday suggest that the Japanese automotive sector is still mired in deep structural and cyclical difficulties. Nissan reported that domestic production in September fell compared with the previous year – the 27th successive monthly decline. Toyota, the stronger of the two companies, managed a modest 1 per cent increase in exports, while Nissan's exports dropped by 5 per cent.

The domestic Japanese market is suffering from prolonged contraction: vehicle output is set to be 10.6m this year, compared with a peak of 13.6m in 1990. Abroad, the appreciation of the yen has hit Japanese manufacturers hard, forcing up the price of Japanese cars. In Europe, for example, Japanese car sales are set to fall 7 per cent this year despite a predicted 6 per cent growth in the market overall. In the US local manufacturers are benefiting most from the upturn.

Japanese manufacturers have responded to the pressure hy shifting production out of Japan to lower cost manufacturing locations. Honda's announcement this week that it plans to double its capacity in Thailand is the latest example of this. In time, this strategy should restore the Japanese industry's competitive position. But investors will find better recovery stories among America's and Europe's motor companies.

Rolling contracts

Mr Tom Buffett's five-year rolling contract at Automated Security Holdings provides a good test for the whole "roller" concept. This is a case of manifest failure: ASH's share price has underperformed the market by 77 per cent since the start of 1990. Defenders of rollers say they do not necessarily reward failure as boards can insist on a reduced pay-off if performance is poor. ASH now has the chance to show whether that is so.

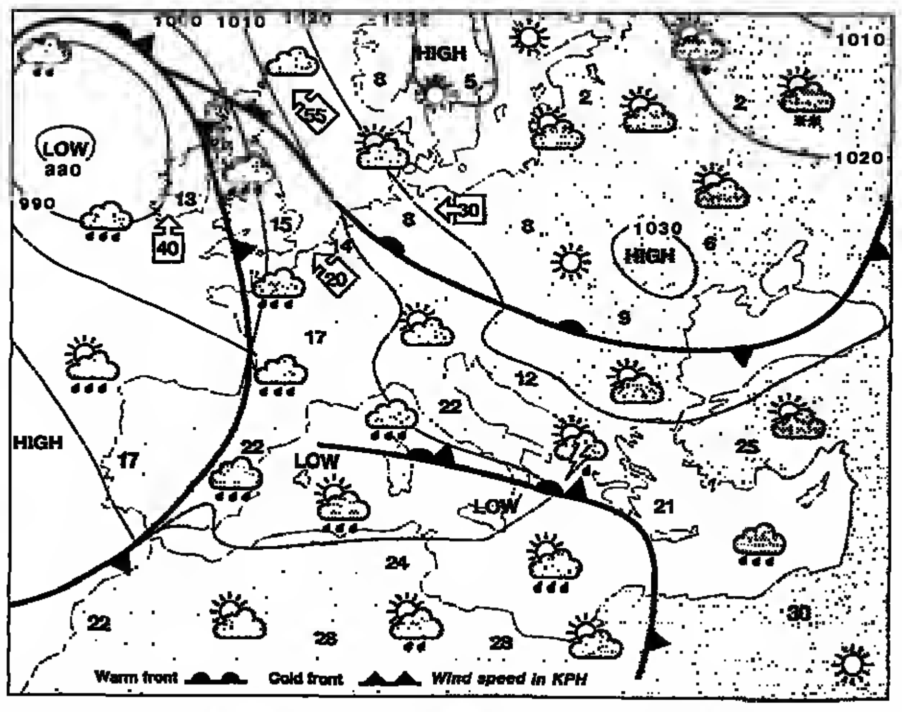
FT WEATHER GUIDE

Europe today

A frontal zone associated with a vigorous low pressure system over the Atlantic will cause rain in Ireland, south-west England and Portugal. During the afternoon, the rain will spread across England, Scotland, western France and Spain. Most of Portugal and Ireland will have broken cloud and a few showers. The North Sea area will have a near gale force wind from the south-east. Another low pressure system over the Mediterranean will trigger numerous heavy showers, some with thunder, which will affect south-east France and parts of Italy and Greece. Northern and central Europe will remain dry and partly cloudy. Northern Scandinavia and the Baltic states will have isolated snow showers.

Five-day forecast

A high pressure system with dry and rather sunny conditions over much of Europe will move slowly east. As a result, low pressure with windy and unsettled conditions will spread eastwards into the continent. Temperatures will tend to rise, ending the spell of sub-zero temperatures during the night. Scandinavia will also be milder. A ridge of high pressure will bring sun to Spain with temperatures near 21C.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	16	Caracas	fair	31	Faro	fair	22	Madrid	shower	16	Rangoon	fair	32
	Celsius		Belfast	rain	12	Cardiff	rain	12	Frankfurt	fair	13	Majorca	thund	21	Reykjavik	rain	8
Abu Dhabi	sun	36	Belgrade	sun	12	Casablanca	shower	22	Geneva	fair	15	Malta	thund	24	Rio	cloudy	29
Accra	thund	30	Berlin	sun	9	Chicago	fair	21	Gibraltar	shower	21	Manchester	rain	12	Rome	shower	22
Algiers	shower	23	Bermuda	fair	26	Cologne	fair	14	Glasgow	rain	11	Manila	shower	32	S. Frsco	fair	19
Amsterdam	fair	13	Bogota	shower	19	Dakar	fair	30	Hamburg	fair	9	Melbourne	fair	17	Seoul	fair	19
Athens	cloudy	21	Bombay	fair	34	Dallas	cloudy	27	Helsinki	sun	2	Mexico City	fair	23	Singapore	shower	32
Atlanta	cloudy	24	Brussels	fair	14	Delhi	sun	31	Hong Kong	cloudy	24	Miami	fair	29	Stockholm	sun	6
B. Aires	fair	20	Budapest	sun	10	Dubai	sun	35	Honolulu	cloudy	31	Milan	fair	15	Strasbourg	fair	16
B.ham	rain	12	C.hagen	fair	7	Dublin	rain	12	Istanbul	fair	15	Montreal	rain	11	Sydney	cloudy	22
Bangkok	shower	35	Cairo	sun	30	Dubrovnik	fair	20	Jakarta	shower	32	Moscow	fair	2	Tangier	shower	21
Barcelona	shower	20	Cape Town	sun	19	Edinburgh	shower	11	Jersey	shower	14	Munich	sun	12	Tel Aviv	shower	27
									Karachi	sun	35	Nairobi	shower	27	Tokyo	shower	23
									Kuwait	fair	36	Naples	shower	22	Toronto	rain	14
									L. Angeles	sun	26	Nassau	fair	29	Vancouver	cloudy	13
									Las Palmas	fair	26	New York	cloudy	15	Venice	sun	15
									Lima	cloudy	22	Nice	shower	19	Vienna	sun	9
									Lisbon	shower	19	Nicosia	fair	27	Warsaw	sun	8
									London	shower	15	Oslo	sun	5	Washington	cloudy	21
									Lux.bourg	fair	15	Paris	shower	19	Wellington	rain	12
									Lyon	fair	15	Perth	fair	28	Winnipeg	cloudy	14
									Madeira	fair	24	Prague	sun	9	Zurich	fair	16

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday October 19 1994

IN BRIEF

Philip Morris recovery continues

Philip Morris, the US food and tobacco group, continued its bounce-back from last year's depressed figures with a 27 per cent surge in net profits to $1.2bn in its third quarter. Page 21

Statoil and Saga prepare energy venture
Two of Norway's biggest oil and gas companies will today announce details of an asset swap programme which will clear the way for a NKr40bn ($5.6bn) joint development plan for gas fields in the Norwegian Sea. Page 18

Nordic forestry industry bounces back
Repola and Kymmene, two of Finland's big four forestry groups, yesterday reported large swings back to profit in the first eight months of the year after losses in the same period last year. The recovery followed sharply reduced financial charges. Page 18

Lower yields take their toll on JCI
The gold division of South African mining house Johannesburg Consolidated Investments, which is due to be spun off to black investors early next year, has reported a sharp drop in profits for the September quarter. Page 21

Sprint soars with cellular profits
Sprint, the third largest US long-distance telephone company, claimed an "outstanding" third quarter with net income up 29 per cent to $230m, or 66 cents per share. Page 21

US drugs companies advance
Merck and Eli Lilly, the US pharmaceuticals companies, each reported underlying double-digit sales growth for the three months to the end of September, in spite of pressure on drug prices in the US and around the world. Page 21

Sappi doubles income
Sappi, the South African pulp and paper company which last week acquired US-based S.D. Warren, has announced much improved results for the first six months to August, more than doubling attributable income to R144.8m ($40.5m) from R64.3m. Page 22

TPI expands petrochemical complex
Thai Petrochemical Industry proposes to invest Bt40bn ($1.6bn) over the next few years in expanding its petrochemical complex in Rayong, south of Bangkok. Page 22

English China in chemicals buy
English China Clays, the minerals and chemicals group, is making a $45.4m acquisition the first since its decision earlier this year to demerge Camas, its construction materials arm, and expand the speciality chemicals division. Page 24

Storm brews for banana exporters
Caribbean banana exporters remain concerned about possible attacks on their preferential access to the lucrative EU market. Page 26

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Goldschmidt	815	+	15
Falls			
AG Ind Verk	515	−	8
Asko Prf	740	−	20
BMW	792	−	15
DLW	380.5	−	17.5
GEHE	519	−	11
NEW YORK ($)			
Rises			
Apple Comp	41⅛	+	1⅛
Citicorp	43⅞	+	1
Sun Micro	32	+	1⅛
Falls			
Merck	35⅝	−	½
Polaroid	33¾	−	1⅛
Sprint	37⅞	−	⅛
PARIS (FFr)			
Falls			
Bouygues	548	−	22
Club Med	427.5	−	11.5
Gan Eaux	471.5	−	18.5
Essilor	711	−	16
Gaumont Soc	308	−	14
Radiotechn	516	−	16
TOKYO (Yen)			
Rises			
Isuzu Mot	528	+	16
Jap Metal	555	+	19
Mori Seiki	2760	+	120
Teikoku Oil	754	+	25
Falls			
Ihara Chem	989	−	21
Nissan Dsl	553	−	13

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Aero Hamble	34½	+	1½
Aminex	70	+	5
Argos	330	+	9
Division Group	130	+	5
Storehouse	216	+	8
Town Centre Sec	132	+	5
Falls			
Auto Security	83	−	5
Barratt Dev	175	−	7
Berry Birch N	95	−	9
Brit Aerospace	484	−	14
Eidos	310	−	15
Kode Intl	60	−	7
P & O Dfd	615	−	23
Paterson Zoch A	421	−	48
Sidlaw	208	−	17
Vodafone	205¼	−	6¾
Waste Mangmnt	520	−	18
Waverley Mining	115	−	5

Citicorp powers to record profit

By Richard Waters in New York

Citicorp vaulted to the top of the profitability league of big US commercial banks yesterday with record quarterly profits.

The results were powered by strong advances in all parts of Citicorp's business, with none of the nasty surprises which have hampered the group's earnings in recent years.

"It has been a long time since we have had all the cylinders working together," said Mr Tom Jones, Citicorp's most senior financial officer. The return on capital jumped to 22 per cent compared with 16 per cent a year before.

The group's results were flattered by a lower effective tax rate, which at 34 per cent, down from 37 per cent, added around $100m to after-tax earnings. However even without this, Citicorp's profits beat most forecasts, lifting its shares $1⅛ at $44 during the morning.

While most other US commercial banks face the prospect of slow growth in domestic markets, Citicorp has benefitted from its large presence overseas, particularly in consumer banking.

One result was that the bank's net interest margin – the average return it makes on its assets – rose during the latest period, at a time when other US banks are seeing margins fall. The net interest margin reached 4.37 per cent in the third quarter, up from 3.97 per cent in the same period a year before.

Overall, Citicorp said after-tax income jumped to $894m, or $1.67 a share, from $528m, or 97 cents a share, the year before.

Two factors underpinning this performance were a rebound in trading revenues after a dismal first half of the year and a sharp fall in its loan loss provisions.

Trading income reached $287m, more than the $230m of the first two quarters combined. The provision for bad debts fell from $625m a year ago to $436m.

"This is the point of the credit cycle where we are at the low end [in terms of provisions]," said Mr Jones. He added thet the bank remained wary about growth in its loans business. Commercial lending was only 2 per cent higher than a year before, while consumer loans were up 8 per cent.

Mr Carl Reichardt, chairman of Wells Fargo, the West Coast bank which also reported earnings yesterday, echoed this caution. While loan quality was continuing to improve, Wells Fargo was "closely monitoring ... underwriting standards in view of the highly competitive market for new loan volume," he said. Net earnings at Wells Fargo jumped 32 per cent.

Chemical Bank, Chase Manhattan and Wells Fargo all exceeded market expectations with third-quarter figures announced yesterday.

Both Chemical and Chase beat earnings per share forecasts by more than 15 per cent.

US bank results, Page 21

GE makes 13% gains despite Kidder loss

By Tony Jackson in New York

General Electric, the diversified US conglomerate, shrugged off losses at its Kidder Peabody investment banking subsidiary with a 13 per cent rise in third quarter net earnings to $1.37bn.

GE Capital Services, the financial services division which includes Kidder, raised its net earnings 7 per cent to $526m, despite Kidder's net operating loss of $85m.

GE said seven of its 12 divisions had produced double-digit rises in operating profit: the NBC broadcasting network, plastics, motors, appliances, power systems, lighting and information services.

Only one division, aircraft engines, failed to produce sales growth in the quarter. The division, which has been hit in the past two years by a downturn in civil and military orders, also suffered a fall in operating profit.

GE announced on Monday that it would take a fourth quarter charge of about $500m on the sale of parts of Kidder Peabody to rival broking firm Paine-Webber.

Mr Jack Welch, GE chairman, said yesterday, "this transaction and the record level of performance demonstrated this year by our other businesses, position us well for the future".

GE's involvement with Kidder, which has cost it around $1.5bn, has dented Mr Welch's otherwise high reputation. Further potential embarrassment comes next week with the opening of a court case in Columbus, Ohio, charging GE and the South African group De Beers with collusion over the price of artificial diamonds.

Discussions on the future of NBC were continuing with various parties, the company said.

However, it reiterated that it was looking for ways of strengthening the business rather than selling it outright. Suitors for all or part of NBC have been rumoured to include Time Warner, Walt Disney, Turner Broadcasting and ITT.

GE said: "We think NBC is very well positioned for future growth. If there were ways of helping that along, we'd look at it." Making no change was also an option, the company said.

Group sales were up 9 per cent at $16.2bn, and operating margins rose from 11.6 per cent to 12.8 per cent. Operating cash flow in the quarter remained steady at $2.6bn.

New drugs enable SmithKline Beecham to increase trading profits in third quarter

Tagamet's US sales fall 76% after end of patent

By Daniel Green in London

US sales of Tagamet, once SmithKline Beecham's best-selling drug, collapsed by 76 per cent in the third quarter to $47m after the expiry in May of patent protection for the ulcer remedy.

Mr Jan Leschly, chief executive of the Anglo-US drugs group, admitted yesterday that the fall was "dramatic" but said it "was not totally unexpected". He said sales declines after recent patent expiries at other drugs companies had been comparable.

Third-quarter figures showed that Tagamet's weakness was partly offset by new drugs, sales of which rose 83 per cent at constant exchange rates from $187m to $341m.

Total sales were 8 per cent higher at £1.59bn ($2.51bn), from £1.46bn, with trading profit up a similar amount at £301m, against £277m. Pre-tax profits were 2 per cent down from £291m to £285m. The 1993 quarter included an exceptional £14m gain.

Earnings per share were 4 per cent higher at 11.9 cents helped by a sharp fall in the estimated full-year tax charge, from 30.7 per cent to 27.9 per cent, partly as a result of tax breaks arising from the $2.3bn acquisition of US distributor Diversified Pharmaceutical Services. The quarterly dividend is 3p per London-quoted A share and 30.16 cents per New York-quoted equity unit ADR.

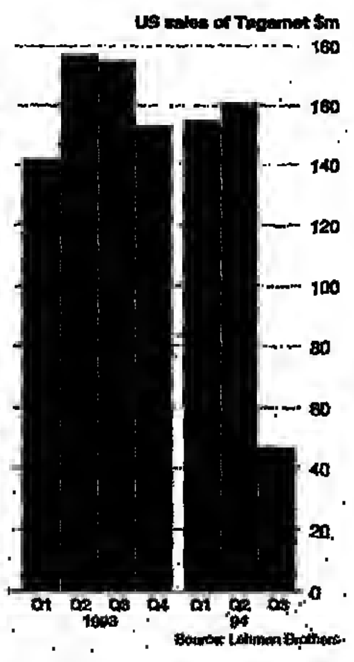
The 3 per cent rise in revenues pharmaceuticals came entirely from volume gains. Trading profit fell 2 per cent as a result of the lower contribution from Tagamet. SmithKline's biggest seller, the antibiotic Augmentin, saw sales rise 7 per cent to £160m. The fastest growth came from the new anti-depressant Seroxat, called Paxil in the US, whose sales more than doubled to £87m.

Animal health sales rose 10 per cent thanks to anti-infective treatments. Consumer healthcare, which includes non-medical products such as the soft drinks Ribena and Lucozade, had a 9 per cent increase in sales. Sales in the clinical laboratories division rose 5 per cent.

Lex, Page 16; Merck/Eli Lilly, Page 21

Big pain

Jan Leschly, chief executive



Top UK banker will join Morgan Stanley

By John Gapper in London

Sir David Walker, deputy chairman of Britain's Lloyds Bank and widely expected to become its next chairman, is to join the US investment bank Morgan Stanley as its executive chairman in Europe. His decision means that Lloyds must select both a new chairman and a new chief executive within 2½ years

The move could allow Sir Brian Pitman, chief executive, to succeed Sir Robin Ibbs as chairman. However, it would be the first time a Lloyds' chief executive has become chairman, the post traditionally being filled from outside. Sir David, 54, is a former director of the Bank of England and chairman of Britain's Securities and Investments Board. He said he was attracted by the idea of a "wholly executive and more than full-time job" when approached by Morgan Stanley.

Mr Richard Fisher, chairman of Morgan Stanley, said Sir David, who will be a member of the bank's New York board of directors, would bring both "a wealth of experience" and "extensive relationships with key figures".

Observer, Page 15;
Interview, Page 25

APV ousts chief executive

By Andrew Baxter in London

Mr Clive Strowger has been ousted as chief executive of APV, the struggling UK-based food processing equipment specialist which last month halved its interim dividend and warned it was facing increasing pressure on profit margins.

His departure, announced yesterday, follows strong pressure from institutional investors which convinced Sir Peter Cazalet, APV's chairman, and non-executive directors that they needed to take action.

The move intensified City of London concerns about the direction of the company, a perennial target of takeover rumours. APV's shares, which had fallen 30 per cent to 83p after the results on September 15, slipped 1½p yesterday to 72½p, close to their 1994 low of 70½p.

APV said Mr Strowger would leave the company with immediate effect. Dr Neil French, finance director, would assume the additional role of chief executive until a successor is appointed. Later the company said: "The half-year results were not as good as we had hoped, and came as a bit of a shock. There was a feeling that we needed someone to take the company forward at greater speed and with greater vigour than had been shown."

Mr Strowger, a former finance director at Grand Metropolitan and chief executive of Mountleigh, joined APV in June 1992. He played a big part in the restructuring and redirection of the company that became necessary because of recession, increasing competition and problems digesting acquisitions by former chief executive Mr Fred Smith, who left in 1989.

Mr Strowger appears to be carrying the can for last month's interim statement. Pre-tax profits rose from £4.4m ($7m) to £5.8m, but the interim dividend was cut from 2p a share to 1p.

More seriously, institutions and analysts were worried by an unspecified charge that is due to be taken in the second half for further restructuring. Estimates for the charge range from £10m to £40m.

Barry Riley

The declining rewards for accepting equity risk

It has become accepted that equities should provide a rate of return substantially higher than on less risky alternatives such as bonds or short-term money market instruments. Indeed, such an excess return is built into pension fund costings and into many retail investment products. But is the equity risk premium fading away? The very long-run picture for the UK is set out each year in the Barclays de Zoete Wedd Equity-Gilt Study which covers a period going back to 1919. This year's edition showed that the excess return on UK equities compared with three-month Treasury Bills was 6.7 per cent annualised over this 75-year period. Roughly similar results are obtained in the US.

During the 1980s equities continued to deliver in this prolific way, only more so. The average equity return during the decade was 23.3 per cent a year, against 12.1 per cent on Treasury Bills. British pension funds not surprisingly ended the decade with large surpluses.

So far in the 1990s, however, equities have disappointed. The annual excess return compared with cash has been only 1.6 per cent. Another BZW publication, the Global Market Digest, shows that this pattern has been repeated in many countries, with the excess annual return since the beginning of 1990 being only 1.3 per cent in the US and actually negative in Germany, France and Japan. For still strongly positive results you have to go to Hong Kong and other Asian countries.

Of course, a run of a few bad years does not prove anything. The decade of the 1970s was also a bad period for excess returns, but that was a period of very high inflation and commodity price shocks. There is no such ready explanation for the trend of the 1990s.

But the evidence is beginning to mount up. The persistence of such a high equity risk premium has in any case been something of a puzzle. Although individual equities are volatile, institutional investors can diversify, and so long as they have reasonable time-horizons they may view equity portfolios as being only moderately risky. They certainly do not require a premium of 6 per cent or more.

So far this year equities in many countries have been less volatile than bonds

So far this year, after all, equities in many countries have turned out to be much less volatile than bonds – supposedly the safer investment. Long gilts, for instance, are down about 18 per cent whereas the All-Share Index is off by only 9 per cent. Wall Street has displayed minimal volatility for the past two years.

The key may be in the historical composition of the long-run excess return to equities. Much of it has come, in the past 10 years or so, from an upward adjustment to the valuation basis. Investors are ready to accept a *lower* equity risk premium on a forward-looking basis, but the process of adjustment paradoxically generates temporarily *higher* returns. Eventually, though, the revaluation process ends and future returns settle at a much lower level: perhaps 1990 marked a turning-point here.

The theory gains some credence from the roughly coincident shift of equity money towards emerging markets. The timing has owed much, of course, to political developments, but there has apparently been a search for a more attractive risk/return combination than that which can currently be found in mature western markets.

For instance, cross-border investors channelled $61bn into emerging markets in 1993 and, according to Baring Securities, at the end of the year they held emerging market equities worth $200bn against just $2bn in 1986. Even in less buoyant conditions, another $40-$50bn of new money is likely to be transferred this year.

It is true that levels of underlying profit have recovered strongly in the US and the UK, and are in process of doing so in continental Europe. Labour is competing only weakly against capital for its share of the economic cake. Dividends are growing quite rapidly.

But the return to equity investors in a secondary market depends crucially on the initial valuation basis as well as on company profitability. Share prices have moved to an historically high ratio to the book values of underlying assets. It is hard, however, for investors to look forwards and backwards at the same time.

Finnish groups' results confirm recovery in Nordic forestry industry

Repola, Kymmene return to black

By Hugh Carnegy in Stockholm

Repola and Kymmene, two of Finland's big four forestry groups, yesterday reported large swings back to profit in the first eight months of the year after losses in the same period last year. The recovery followed sharply reduced financial charges.

Both reported high capacity utilisation – 94 per cent in the case of Kymmene's paper mills – and said demand in Europe for forestry products and paper was likely to remain strong.

The results were in line with resurgent profitability in the Nordic forestry industry this year. They covered a period during which Repola and Kymmene came close to agreeing a merger between Kymmene and United Paper Mills, the forestry group and main component of Repola. Talks broke down in June.

Kymmene has denied reports that merger contacts had been renewed.

Repola reported pre-tax profits in the first eight months of FM1.17bn ($315m), a turnround from a restated loss of FM119m in the same period last year. Repola and Kymmene restated 1993 figures to conform with EU accounting principles.

Turnover rose to FM18.36bn from FM17.77bn and operating profit grew to FM2.11bn from FM1.67bn. Financial expenses fell by FM792m.

Operating profits at UPM rose to FM1.8bn from FM1.48bn on turnover up at FM12.56bn from FM11.74bn. Repola said the increase in turnover was due to marked growth in its paper and mechanical wood processing businesses.

Repola's engineering division, Rauma, saw sales increase to FM5.18bn from FM5.03bn. But operating profits doubled to FM247m from FM124m.

At Kymmene, there was a swing to a FM545m profit in the first eight months from a FM337m (restated) loss. Sales rose to FM12.11bn from FM10.98bn, due mainly to higher sales of fine papers, panels and sawn timber. Value of sales fell FM700m as the markka appreciated. Operating profit rose to FM1.32bn from FM944bn. Net financial charges tumbled to FM846m from FM1.3bn.

Kymmene said it expected earnings in the last four months of the year to be at the same levels as in the first eight months.

It also expects an overall improvement in earnings for the full year of FM1bn. Last year, Kymmene reported a loss after financial items of FM256m.

Enso-Gutzeit buys stake in Veitsiluoto

By Christopher Brown-Humes in Helsinki

Enso-Gutzeit said last night that it was strengthening its operations in the Finnish pulp and paper sector by buying a 35 per cent stake in Veitsiluoto, a state-owned forestry company, for FM1.5bn ($324m).

The move, which continues the government's privatisation programme, will make Enso one of Europe's leading producers of fine papers and newsprint.

The government retains a majority stake in Veitsiluoto but has given Enso an option to buy the holding if it decides to sell.

Mr Matti Vuoria, secretary-general of Finland's Ministry of Trade and Industry, said Enso had defeated a rival bid from Metsä-Serla, one of its domestic rivals, because it had made "a clearly better offer".

Enso will pay FM1bn directly to the state and use the remaining FM500m to strengthen Veitsiluoto's equity. The government holds 33.7 per cent of the capital and 52.1 per cent of the votes in Enso.

The sale is politically sensitive because Veitsiluoto's operating units are based in the north of Finland and are important for local employment. Enso has undertaken to study the feasibility of making a big investment at Oulu, where Veitsiluoto has recently commissioned a new fine-paper machine.

Veitsiluoto made a FM150m loss after financial items in 1993 on turnover of FM4.82bn.

Enso yesterday reported a FM872m profit after financial items for the first eight months, compared with a FM186m profit in the same 1993 period. Sales advanced to FM11.3bn from FM10.2bn.

Mr Jukka Härmälä, chief executive, said the improving trend would continue in the final four months, giving the group a "much better" full-year profit than last year's FM406m. "Prices for paperboard and for standard and speciality newsprint will be raised during the final four months," he said.

The group announced FM650m in new investments. The biggest project, worth FM400m, involves the construction of a chemithermomechanical pulp plant and process water treatment plant at Imatra.

GAN drops to FFr840m deficit at midway

By Andrew Jack in Paris

Groupe GAN, the state-controlled French insurance group, yesterday reported losses of more than FFr840m ($158.79m) for the six months to June 30.

This compares with profits of FFr372m at the same time last year.

Group revenues rose to FFr63bn, against FFr62.3bn last time, and the balance sheet total stood at FFr738.8bn up from FFr704.4bn.

The deficit had been expected by analysts following similar losses at other insurers.

They were the first results to be presented by Mr Jean-Jacques Bonnaud, who was appointed head of the company at the end of June by the government, in succession to Mr François Heilbronner.

Mr Bonnaud said the losses reflected a number of exceptional factors, including a deterioration in casualty insurance, a reduction in realised gains, a series of provisions and a restructuring of its Union Industrielle de Crédit subsidiary.

UIC saw its losses deepen to FFr925m from FFr30m in the first half of last year as part of the restructuring, which was agreed earlier this month. The group is ring-fencing FFr18.9bn in its property portfolio.

Domestic life assurance profits remained almost unchanged at FFr344m, compared with FFr355m. However, its Incendie Accidents division reported a sharp increase in losses to FFr736m from FFr403m.

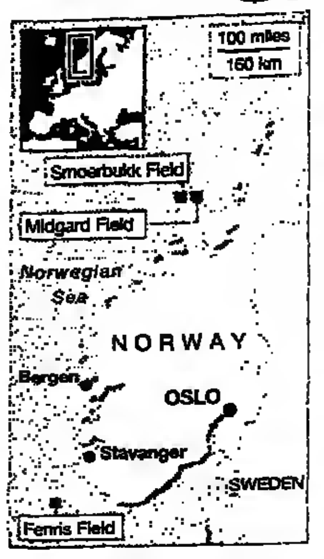
Group CIC continued to grow, reporting profits of FFr328m against FFr257m.

Mr Bonnaud said that he was confident the situation would improve in the second half.

He also said that his objective was to prepare GAN for privatisation "with the shortest possible delay", even if the losses reported yesterday held back such a move.

Statoil and Saga prepare NKr40bn energy venture

By Karen Fossli in Oslo



Two of Norway's biggest oil and gas companies will today announce details of an asset swap programme which will clear the way for a NKr40bn ($5.6bn) joint development plan for gas fields in the Norwegian Sea.

Statoil, the Norwegian state oil company, and Saga Petroleum, Norway's largest independent oil company, will swap operational control of oil and gas fields in the North Sea and in fields off mid-Norway. There may be a swap of shareholdings between the companies.

The government is also expected to disclose details of a deal in which the state will sell a large shareholding to Saga in either or both the Smoerbukk South and Smoerbukk gas and condensate fields in the Norwegian Sea.

The NKr40bn co-ordinated development of these fields has long been stalled by doubts about the fields' economic viability and by differences of opinion over oil companies' investment priorities. The restructuring of the oil and gas assets and their co-ordinated development will allow the companies to share investment objectives.

The developments will provide much-needed orders for Norway's oil supply industry whose order books have shrunk due to a fall in investment activity by oil companies and in which restructuring will force the loss of thousands of jobs.

The economically depressed mid-Norway region near Kristiansund also stands to benefit greatly from their development.

Statoil is understood to have agreed to exchange its operation in the North Sea of its 80m barrel Fenris oil field for Saga's operation of the 100bn cubic metre Midgard gas field.

In August, Saga acquired a 50 per cent stake in Fenris from Esso Norge. Financial details were not disclosed. Statoil holds a 20 per cent stake in the field while the state owns a 30 per cent direct financial interest.

In the Midgard field, which comprises two licences and is situated in Haltenbanken off mid-Norway, Statoil will assume Saga's operation in exchange for its Fenris operation. Statoil holds a 51 per cent stake in each of the Midgard licences. The state directly holds 31.4 per cent. Saga Petroleum has 9.8 per cent.

The Smoerbukk field, where the state is understood to have agreed to sell all or part of its 31.4 per cent shareholding to Saga, is operated by Statoil with a 19.6 per cent shareholding. Smoerbukk contains 95bn cubic metres of gas and 37m cubic metres of condensate.

The Smoerbukk South field contains 20bn cubic metres of gas and an estimated 150m barrels of oil. The Midgard field was discovered in 1981 while Smoerbukk was discovered in 1984 and Smoerbukk South in 1985.

Rautaruukki in profit for first eight months

By Hugh Carnegy

Rautaruukki, the Finnish steel group, yesterday reported a return to profit in the first eight months of the year, posting a pre-tax surplus of FM361m ($78m) after a (restated) loss in the same period last year of FM143m.

The group, the Nordic region's second largest steel producer, said the increase in demand and prices in Scandinavia and elsewhere in Europe that fuelled the turnround were expected to continue for the rest of the year, yielding a further improvement in profitability.

Group sales rose to FM4.86bn from FM4.57bn. Rautaruukki said steel prices rose faster than the cost of inputs, with prices rising especially sharply for hot and cold-rolled products.

Operating profit jumped 35 per cent to FM624m from FM463m and would have been greater but for a FM60m loss run up by the group's engineering division.

However, net interest costs fell to FM309m from FM364m and there was a FM46m extraordinary surplus, compared with an extraordinary charge of FM17m last time, due to changes in inventory values.

Rautaruukki raised FM792m earlier this year in a global share offering that led to a drop in the Finnish state's shareholding in the group to 68.7 per cent from 81.1 per cent.

Gaic shares up 9% as market sees Ferfin bid

By Andrew Hill in Milan

Shares in Gaic, the Italian finance company, rose by nearly 9 per cent yesterday, following comments on Monday by the chairman of Ferruzzi Finanziaria (Ferfin), the financial holding company which controls a large stake in Gaic.

Mr Guido Rossi was reported to have said that Ferfin was "examining the problem" of Gaic, which in turn owns about 30 per cent of Fondiaria, the quoted Italian insurer.

Gaic has been at the centre of speculation for months, and the markets yesterday interpreted Mr Rossi's comment as a hint that Ferfin was set to mount a bid for the 20 per cent of Gaic freely traded.

DnB plans to set up life insurance group

By Karen Fossli

Den norske Bank, Norway's largest commercial bank, yesterday announced plans for a life insurance company to become operational in 1995.

Norwegian commercial banks were given the green light by the Storting (parliament) in the spring of 1992 to establish insurance companies providing they are granted a concession from the finance ministry.

DnB said it hoped to submit an application for such a concession within the next week.

The bank also disclosed that it would cancel a co-operation agreement made in 1993 with Vital, the Norwegian life insurance group, in which DnB sells life insurance products through its bank distribution network.

DnB said it intended to sell life insurance products to companies and private individuals and the new company would be one of Norway's most cost-effective – enabling it to offer competitive products.

The bank declined to reveal tha size of the lifa insurance company.

ASH chief may scoop £1.67m compensation

By Paul Taylor in London

Mr Tom Buffett could receive compensation totalling £1.67m ($2.63m) after his surprise decision to step down as chairman and chief executive of Automated Security (Holdings).

Mr Buffett built ASH into a large electronic security systems group through a series of acquisitions in the 1980s. Pre-tax profits peaked at £45.1m on turnover of £173.2m in 1992 but the group's financial performance has been erratic. The shares closed 5p lower at 83p yesterday.

Lord Lane of Horsell, deputy chairman, will succeed Mr Buffett. Lord Lane confirmed that Mr Buffett, whose remuneration totalled £334,000 in the year to November 30, was on a five-year rolling contract.

ASH also announced pre-tax profits for the three months to August 3 of £2.59m, up from £903,000 a year earlier.

Turnover from continuing operations increased by 10.1 per cent to £40.4m, producing earnings a share of 1.3p compared with a previous loss of 0.3p.

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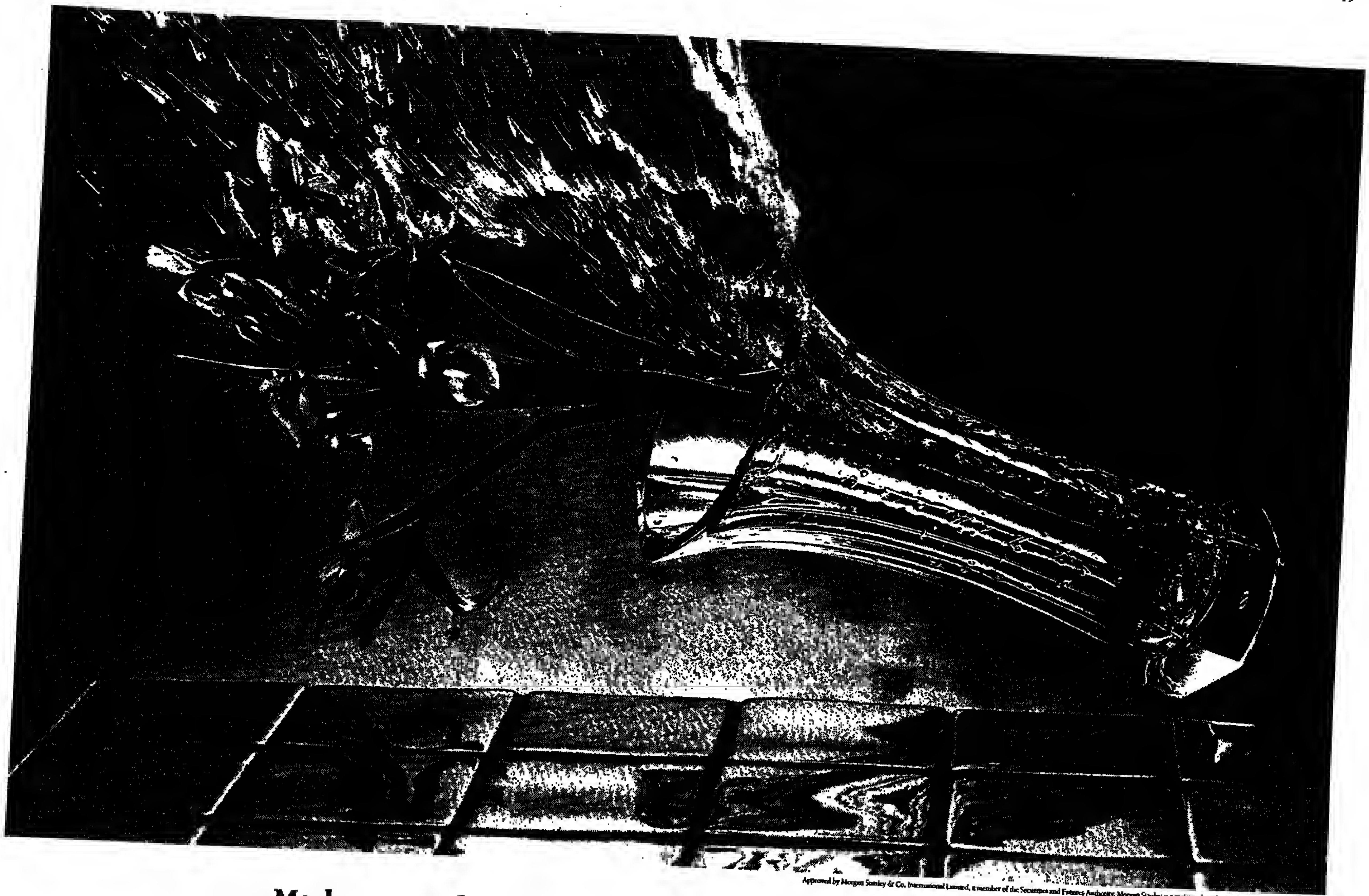


Poor conditions hit Wall Street securities firms

By Patrick Harverson in New York

Merrill Lynch and Bear Stearns yesterday provided further evidence of how the deterioration in trading and underwriting conditions on Wall Street has hit securities firms' earnings.

Both companies announced sharply lower profits for the latest quarter.

At Merrill, the securities industry leader, net income during its third quarter tumbled 36 per cent to $232m, or $1.10 a share, while net revenues dropped 13 per cent to $2.3bn.

As in previous quarters, the biggest decline at Merrill was recorded in investment banking revenues, which fell 46 per cent to $245m.

Higher interest rates have led to a dramatic downturn in the underwriting business, with the rising cost of credit deterring domestic and international companies from raising capital on the US debt and equity markets.

The firm's trading business has also suffered, with revenues from principal transactions falling 12 per cent to $654m.

Surprisingly, however, Merrill said its earnings from trading fixed-income securities were about the same as a year ago, which indicates that the firm is surviving the slump in worldwide bond markets better than most.

Brokerage commission revenues held up reasonably well, slipping 3 per cent to $674m in the quarter, but the flattening of the yield curve prompted a 19 per cent decline in net interest profit to $211m.

On a more positive note, Merrill's asset management and portfolio service fees climbed 9 per cent to $431m, as client assets under fee-based management rose 8 per cent to $167bn by the end of September.

With much of its employees' compensation tied to performance, the decline in Merrill's overall earnings at least led to lower expenses during the quarter. Non-interest expenses fell 4 per cent to $1.9bn, with the compensation and benefits category dropping 9 per cent to $1.2bn.

The earnings picture at Bear Stearns was bleaker, primarily because the firm lacks Merrill's more diversified revenue base.

Net income during its fiscal first quarter fell to just $35.5m, or 25 cents a share, from $104.3m a year ago. Although revenues from commissions, interest and dividends rose during the period, those gains could not offset big declines elsewhere.

Investment banking revenues fell by more than half in the quarter, to $58.4m from $119m a year ago. Commission revenues, however, climbed 12 per cent to $120.3m, while interest and dividends produced revenues of $447.5m, up sharply from $247m a year ago.

There was a mixed reaction from the stock market. Shares in Merrill Lynch climbed $⅜ to $34¾ in early trading, but Bear Stearns fell $¼ to $19⅝.

Sun returns to its shining performance of 1980s

Positive trends have helped the US computer company to report record earnings, writes Louise Kehoe

"We have hit a home run!" boasts Mr Scott McNealy, chairman and chief executive of Sun Microsystems, after the computer workstation manufacturer surprised Wall Street with record first-quarter sales and earnings.

Net income more than doubled to $38.4m, or 40 cents a share, from $16.6m, or 16 cents, in the same period last year. Analysts had been projecting earnings of about 26 cents a share. Revenues for the quarter were $1.273bn, up nearly 33 per cent from $960.5m.

Sun's share price rose $1⅞ at $32¼ in mid-session yesterday.

"All of our business units met or exceeded our plans," says Mr McNealy.

"Our desktop computer unit growth was phenomenal. Unit sales more than doubled. Our high-end server, storage arrays and database servers did very well.

"Our technical workstations and graphics workstations did very well ... You don't achieve these kind of numbers because one product line or one geographic area did well. You have to hit the lot."

First-quarter shipments of workstations and servers jumped nearly 50 per cent from a year ago to 74,000 systems in the quarter, the company said.

Shipments would have been higher but for a shortage of D-Ram (dynamic random access memory) chips during the quarter, says Mr McNealy.

"Our backlog is still higher than we would like."

With memory chip shortages easing, Sun expects to reduce its order backlog in the current quarter.

Orders booked during the first quarter were $1.27bn, up 33 per cent from $942.1m a year earlier.

Sun Microsystems

Source: FT Graphite

For Sun, the first-quarter results represent a return to the shining performance of previous years.

After breaking business growth records in the 1980s, its performance dimmed as growth in the market for computer workstations slowed and competitors, offering more powerful workstations, bit into Sun's market.

Sun still holds a commanding lead in the $10bn workstation market for powerful desktop computers used by engineers, designers and financial analysts.

The company, however, is increasingly turning to the broader market for "enterprise" computing based on networks of desktop computers and servers. "We want to be known as the world's best supplier of network computing products," says Mr McNealy.

The trend towards computer networking – on a local, company and global scale – presents big opportunities for Sun, he says, as many businesses move from mainframes to cheaper, more flexible networks of smaller machines.

At the same time, departments and branch offices are "upsizing" PC networks by adding powerful "servers". Sun is the "rightsizing" computer supplier, says Mr McNealy.

Sun's Solaris software, a version of Unix, is gaining momentum in the networking market after a rocky start.

SunSoft, the company's system software unit, distributed 82,000 Solaris licences during the first quarter, the company said. A version of Solaris designed to run on Intel-based servers is now "up and running", says Mr McNealy. "Novell, the leading network software supplier, is vulnerable to competition, he adds.

"Novell is a soft underbelly and everybody is going after their market. We see a real opportunity to do well there."

Another positive trend for Sun is the growth of global networking. "The Internet is growing like crazy and 56 per cent of the servers on the internet are from Sun. As the Internet grows, we grow," says Mr McNealy.

He is more cautious, however, about consumer use of high-speed networks. "A lot of money will be lost on the information highway over the next few years. We'd just rather not lose (money) there."

Sun is also moving to upgrade the performance of its workstations with a new microprocessor chip, called UltraSperc. First samples of the new chip have just arrived. "You will see faster workstations and servers based on UltraSparc in about a year," says Mr McNealy.

Corning jumps 24% to $132m

Corning, the diversified US manufacturer, pushed up net earnings by 24 per cent in the third quarter, on a comparable basis, to $132.3m, or 62 cents a share, writes Our New York Staff.

Earnings were hit, however, by a net $55.4m charge related to the cost of three acquisitions in life sciences.

Sales in the quarter were up 20 per cent to $1.4bn, half the rise being due to the acquisitions. Net income from associates rose 35 per cent to $42.4m, mainly because of loss elimination after the sale last year of Vitro Corning, a Mexican venture.

TVB wins go-ahead on satellite

By Louise Lucas in Hong Kong

Television Broadcasts (TVB), a Hong Kong broadcaster, is poised to compete with Star TV, News Corporation's Asian satellite television arm, following government approval enabling the domestic company to establish a pan-Asian satellite service.

The colony's broadcasting authority gave the local station permission to broadcast regionally, but not in Cantonese, the dialect of Hong Kong and southern China.

TVB has no immediate plans, however, to capitalise on its new freedom. It will instead concentrate on the Taiwan market and broadcasting encrypted signals which are decoded by local cable operators.

Mr Alfred Ng, assistant general manager and company secretary, said: "We believe our current strategy of selling decoders to cable head-ends, allowing them to distribute our signals, is correct."

It is a policy which appears to have paid off: TVB is among the colony's most profitable media companies, last year turning in a 42 per cent jump in net earnings to HK$519.6m (US$67.3m).

Securing permission to broadcast regionally paves the way for TVB's main aim: to be granted an uplink and downlink licence allowing it to bring signals directly to satellite. It currently amploys Hongkong Telecom to carry signals and beam them up.

Obtaining the licence – under consideration by the government – will give TVB greater flexibility to provide its own transmission facilities and full scope to compete head-on with Star TV.

Media analysts agreed the go-ahead was a small victory for TVB but marked a bigger step for Hong Kong, which will be regarded as a viable base for satellite TV companies that might have gone to Singapore.

Intel posts record earnings for term

By Louise Kehoe in San Francisco

Intel, the world's largest semiconductor manufacturer, reported record sales and earnings for the third quarter, with revenues up sharply as sales of its high-performance Pentium microprocessors, used in the latest personal computers, doubled.

Revenues for the quarter were $2.86bn, up from $2.24bn a year ago. Net income rose 14 per cent to $659m, or $1.52 a share, against $584m, or $1.33, for the same quarter last year.

"The PC industry is rapidly moving to a new performance standard, based on Pentium microprocessors," said Mr Andrew Grove, president and chief executive. "The PC industry is moulting, shedding its past in a way that hasn't happened for a decade. Just one year ago, the standard was a PC featuring an Intel 486 microprocessor. Today, a PC at the same price point has a Pentium processor."

Intel said it expected to meet its goal of increasing Pentium sales to 25 per cent of its fourth-quarter microprocessor unit sales.

A second goal was to ship 6m-7m Pentium chips this year. The company said it expected to be within a few weeks of meeting this goal by the end of the year.

Although Intel dominates the market for microprocessors used in PCs, with about 90 per cent of the world market, there are strong competitors.

Advanced Micro Devices is expacted this week to announce a new chip called the "K86", which it says will be compatible with Intel's Pentium, but faster. IBM, Nexgen and Cyrix are also offering their own versions of Intel-compatible microprocessors.

The threat of a new PC standard that could undermine Intel's domination of the market appears, however, to be receding. Efforts by IBM, Motorola and Apple to establish their jointly-developed "PowerPC" microprocessor as an alternative standard for PCs have so far had little impact, largely because there is limited software available for PCs built with the new microprocessor.

Intel's nine-month revenues were $8.29bn, up 30 per cent from $6.39bn. Net income was $1.92bn, up 13 per cent from $1.7bn for the first three quarters of 1993. Earnings per share grew to $4.37 from $3.86.

See Lex

Strong sales help lift Apple results

By Louise Kehoe

Apple Computer has turned in record fourth-quarter revenues, boosted by strong sales of multimedia personal computers and its new Power Macintosh models. Earnings picked up significantly as costs declined.

Revenues totalled $2.4bn, a 16 per cent increase over last year's fourth quarter, and the highest quarterly figure in Apple's history. Net income for the three months was $114.7m, or 95 cents a share, compared with $2.7m, or 2 cents, a year ago.

Apple said quarterly unit shipments exceeded 1m computers for only the second time in its history.

Mr Michael Spindler, president and chief executive officer, attributed the increase to strong demand for multimedia versions of its Macintosh computers, notebook computers and its new Power Macintosh desktop computers.

Strong demand has led to a shortage of some of these products, Apple said.

During the quarter the company shipped more than 250,000 Power Macintosh personal computers and upgrades, bringing the total to more than 600,000 units since the products were introduced in March.

The company has set a goal of shipping 1m Power Macintosh personal computers and upgrades in the first 12 months.

Apple said its earnings improvement was the result of strong revenue growth combined with higher gross margins and lower operating expenses. Gross margins improved to 27.2 per cent of net sales, compared with 25.7 per cent in the fourth quarter of 1993.

Operating expenses declined to 19.6 per cent of sales, from 25.4 per cent, and represented one of the lowest operating expense ratios in Apple's history.

For the full year revenues were $9.19bn, a 15 per cent increase over fiscal 1993, while net income jumped to $310.2m, or $2.61, against $86.6m, or 73 cents.

Included in the company's results for fiscal 1993 was a pre-tax charge of $320.9m for restructuring and other expenses.

Fiscal 1994 results include a pre-tax gain of $126.9m related to a reduction in the company's estimates of restructuring costs.

Securities business holds back Travelers

By Richard Waters in New York

Travelers, the broad-based US financial services group, was held back by difficult conditions in the financial markets in the three months to the end of September.

The company reported a marginal advance in earnings per share to 97 cents, up from 96 cents a year before.

Profit growth was dampened by a fall in operating earnings at Smith Barney, the group's securities business.

Smith Barney reported earnings of $72.9m, down from $118.8m, even though the year-ago period included only a two-month contribution from Shearson, the retail broker Travelers bought from American Express.

Mr Sanford Weill, chairman and chief executive, said the stability of the group's consumer lending and life assurance businesses had enabled it to withstand the difficult conditions in the brokerage business.

Earnings from consumer finance rose 10 per cent to $56m, while operating profits from life assurance were 13 per cent higher, at $50m.

Overall, Travelers reported net income for the period of $331m, compared with $342m the year before.

In the 1993 period, the group, then known as Primerica, had yet to buy out the whole of the Travelers insurance company.

Philip Morris recovery continues with 27% rise

By Richard Tomkins in New York

Philip Morris, the US food and tobacco group, continued its bounce-back from last year's depressed figures with a 27 per cent surge in net profits to $1.2bn in its third quarter.

In April last year Philip Morris cut the price of Marlboro cigarettes and its other premium brands in the US to win back market share from low-cost rivals. This led to a series of adverse quarterly earnings comparisons which only began to abate in the second quarter of this year.

The biggest single component of the profits growth reported yesterday was the recovery in Philip Morris's domestic tobacco opsrations. Operating income from this division shot up by 40 per cent to $868m because volumes rose in response to the company's increased market share.

The company also saw profit increases in its other food and tobacco divisions. International tobacco increased operating income by 18 per cent to $900m, international food was up 12 per cent at $269m, North American food up 6 per cent at $618m, and Miller Brewing up 18 per cent at $111m.

Overall, group revenues rose by 19 per cent to $2.7bn. Earnings per share advanced 28 per cent to $1.42, a touch above the $1.40 expected by analysts, but in early trading the shares eased back $⅝ to $61½ in a falling market.

Philip Morris said it sold 201bn cigarettes world-wida during the quarter, up 16 per cent from the comparable quarter's figure.

Outside the US, the volume of cigarettes sold rose by 19 per cent to 144bn, with growth in most markets except Turkey, where sales were affected by poor economic conditions.

In the US, Philip Morris said profits from tobacco had been boosted by the fact that a greater portion of the volume mix came from premium brands. It quoted figures suggesting that Marlboro's market share had risen to a record 29.1 per cent in August, 7 percentage points higher than the period just before last year's price cuts.

Mr William Murray, chairman, said he was confident the company would be able to sustain its strong momentum.

US drugs companies advance

By Richard Waters in New York

Merck and Eli Lilly, the US pharmaceuticals companies, each reported underlying double-digit sales growth for the three months to the end of September, in spite of pressure on drug prices in the US and around the world.

At Merck, sales of human and animal health products grew by 11 per cent. This was in spite of the effect of lower prices, mainly in non-US markets, which shaved two percentage points off sales growth.

As with Lilly, foreign exchange diffsrences added one percentage point to sales growth in the period.

Merck's overall sales of $3.8bn were up from $2.5bn a year ago, due to its acquisition of Medco Containment Services, the pharmacy benefit management company, at the end of last year.

Medco's lower profit margins mean that net income from a year ago was up only 11 per cent, at $785m, while earnings per share were flat at 62 cents.

Merck did not provida a detailed break-down of sales of its various drugs, but said the advance had been led by a range of its newer products.

Eli Lilly, meanwhile, reported a 25 per cent jump in pharmaceutical sales compared with a year before, primarily due to the success of Prozac, its market-leading anti-depressant.

The high sales of Prozac wers based in part on a build-np in inventories by wholesalers before a price rise, Lilly said.

Tha company is currently locked in discussions with US regulators over its own planned acquisition of a pharmacy benefit management company, PCS.

Overall sales growth in the US came in spite of pressure on prices from managed-card organisations and higher rebates manufacturers are being forced to pass on to Medicaid, the government-run healthcare schems for the poor, Lilly said.

Net income reached $318m on sales of $1.82bn, compared with $294.4m on sales of $1.53bn a year before. Earnings per share were $1.10, up from $1.00.

Sprint soars 29% in term as cellular side surges

By Tony Jackson in New York

Sprint, tbe third largest US long-distance telephone company, claimed an "outstanding" third quarter with net income np 29 per ceot to $230m, or 66 cents a share.

The fastest growth came in cellnlar operations, where operating profits were almost tripled at $32m. This was almost 30 per cent more than the division made in the whole of 1993, Sprint said.

Profits from long-distance calls were np 31 per ceot at $165m, with intense competition in the consumer market offset by growth in business services. The long-distance division had made record sales and operating profits for nine quarters in a row, Sprint said.

In local calls, sales rose 7 per cent to $1.11bn, with the number of local access lines installed np nearly 5 per cent. However, operating profit was ahead only 1 per cent as a result of lower call charges. "In the fourth quarter, we will continne to adjnst prices to position ourselves more competitively in the marketplace," Sprint said.

The number of Sprint's cellular customers grew 84 per cent year-on-year to 882,000. This was the eighth successive quarter in which numbers had grown by more than 50 per cent, Sprint said.

Group sales rose 13 per cent in the quarter to $3.23bn. Interest payable fell 14 per cent to $99m, and operating cash flow was $887m.

Sprint said it was confident its planned $1.9bn capital investment programme could be carried ont without recourse to external finance.

US banks battle to maintain pace

The beadline on a recent report from Paine-Webber banking analyst Mr Lawrence Cohn said it all: "This is about as good as it gets."

With bad-debt charges lower than at any time for years and lending margins still only slightly below their cyclical peaks, US commercial banks' profits are surging. But the concern for share prices in the sector is that it is difficult to see how the momentum can be maintained.

Each of the three biggest New York-based banks – Citicorp, Chemical and Chase Manhattan – comfortably exceeded market expectations with third-quarter earnings reported yesterday.

While Citicorp's 22 per cent return on capital in the period made it the star of the pack, both Chemical and Chase beat earnings per share forecasts by more than 15 per cent.

Among other banks reporting yesterday, net earnings st Wells Fargo jumped 32 per cent on a sharply lower provisions for bad debts, while BancOne's earnings fell due to its sensitivity to rising US interest rates.

Chemlcal's revenues were unchanged from a year before, at $2.16bn, while operating costs were 4.5 per cent higher (excluding a one-off charge in the 1993 quarter). However, profits were buoyed by a fall in the loan-loss provision to $100m in the current quarter from $298m a year ago.

The bank's net interest margin, meanwhile, fell by five basis points (hundredths of a percentage point) to 3.68 per cent. The decline was was held in check by s shift in the mix of loans from a year earlier: US commercial lending fell to $30.2bn from $34.7bn, while consumer lending, where margins are generally higher, rose to $26.5bn from $24bn.

Net income was lower than a year before, when profits had been boosted by a tax credit. Leaving aside this factor, after-tax income rose 24 per cent over the year-ago quarter.

Chase Manhattan also benefited from a lower loan-loss provision, which fell from $215m in the 1993 period to $100m. Total revennes remained steady at $1.64bn, while operating costs rose 4 per cent.

The net interest margin, meanwhile, slipped 18 basis points from a year ago, to 3.81 per cent. Mr William Maletz, head of investor relations, said tbe decline reflected the growth of lower-yielding, liquid trading account assets held by the bank. The pressure on margins in part reflects growing competition in the credit card and residential mortgage businesses.

Chase said it expected margins on thess prodncts to iocrease next year, as it launches new credit card products to compete with the growing array of non-bank co-branded cards in the US market and as the residential mortgage business recovers from this year's low level of refinancing activity.

While total loans remained steady with a year before, consumer lending increased by $4.4bn to $37.4bn, commercial lending fell $1.5bn to $20.5bn and the bank's real estate portfolio fell $1.7bn to $1.2bn.

Wells Fargo's earnings were supported by a $36m gain from changes made to its portfolio of premises. Otherwise, total revenues were largely unchanged. Loan-loss provision fell to $50m, from $120m in the third quarter of 1993.

While loans grew 4 per cent, the net interest margin fell 12 basis points, to 5.53 per cent.

BancOne, meanwhile, saw after-tax earnings fall by t4 per cent, in part the result of the interest-rate management policy it adopted before the turn in US rates this year.

Tbe bank had already reported a $13m loss from the sale of $2bn of US government bonds during the quarter. Mr John McCoy, chairman, said yesterday: "We remain committed to reduce [our] exposure to rising interest rates."

The earlier interest-rate policy was part of tbe reason behind the fall in the bank's net interest margin, from 6.11 a year ago to 5.27 per cent in the latest period. The bank blamed this fall in the margin oo higber interest rates and "increased competitioo in loan pricing".

Richard Waters

US BANKS – THIRD-QUARTER RESULTS

	Net income 1994	Net income 1993	EPS 1994	EPS 1993
Citicorp	894	528	1.67	0.97
Chemical*	439	502	1.60	1.84
Chase Manhattan	305	267	1.49	1.25
Wells Fargo	217	165	3.88	2.74
BancOne	283	296	0.68	0.73
Mellon†	78	139	0.64	1.25

*Chemical: net income $355m and earnings per share $1.26 a year ago, excluding one-off tax benefit and merger-related charge. † Mellon: excluding expenses related to takeover of Dreyfus; net income would have been $167m and earnings per share $1.53 in the latest period.

Bouygues ahead 18% midway at FFr94m

By David Buchan in Paris

Bouygues, the French construction, property and media group, yesterday reported an 18 per cent rise in first-half nat consolidated profit to FFr94m ($17.76m), up from FFr79m in the same period of 1993.

The group said that results at the dominant construction division, in terms of turnover, failed to reflect the general economic improvement in France, while in Africa it had had to contend with last January's 50 per cent devaluation of the CFA franc. The weak market in real estate led to a decline in revenue from property.

Consolidated turnover rose to FFr33.6bn in the first half from the FFr29.3bn achieved in January-June of last year. However, this increase was due to accounting changes which allow Bouygues to consolidate in its figures turnover from TF1, the leading French television station in which Bouygues raised its stake to a controlling 34 per cent at the start of this year.

The group predicted turnover of around FFr69bn for tbe full yesr, up from FFr61.2bn last year but again entirely accounted for by the newly-included activities of TF1.

Earlier this month the consortium of which it is n member won from the French government the right to develop a third mobile phone network in France.

Mexico gives approval to finance groups

By Damian Fraser in Mexico City

Mexico has given preliminary approval to almost all ths international banks, brokerages and insurance companies that applied earlier this year to open up subsidiaries.

The finance ministry announced on Monday night that 18 of 20 banks seeking authorisation will be given licences, 16 of 17 brokerages, and 12 of 13 insurance companies. No decisions were announced for applications for factory companies, exchange houses, non-bank banks, and investment funds. Approval for one leasing company was given, although 12 originally applied.

The government expected the new institutions to invest about $1.2bn after final authorisation. The finance ministry said foreign banks' capital will initially account for 6.25 per cent of domestic banking capital, against the 8 per cent limit set for 1994 under the North American Free Trade Agreement. Brokerages will take up the maximum 10 per cent limit, with individual capital requests of applicants scaled back.

Under the trade agreement, limits on foreign capital in the banking and brokerage sector are gradually increased until finally scrapped at the end of the decade. Non-US and Canadian banks applied for licences from their North American subsidiaries.

The two institutions that were either denied or dropped their request were the International Bank of Commerce and Morgan Stanley (which received a licence to open a brokerage).

With some institutions – such as Citibank, J. P. Morgan, Chemical bank – making applications for banks and brokerages, the total number of foreign institutions that are to receive authorisations reached 40.

With the exception of Citibank, the banks that received preliminary snthorisation are expected to concentrate on corporate lending, leaving the retail market to Mexican counterparts.

Poorer yields take toll on JCI gold division

By Mark Suzman in Johannesburg

The gold division of South African mining house Johannesburg Consolidated Investments, which is due to be spun off to black investors early next year, has reported a sharp drop in profits for the September quarter.

Although ore production rose 5 per cent to 2.7m tonnes from 2.55m tonnes in June, a lower average yield meant overall gold revenue increased by only 3.5 per cent to R557.9m ($157.6m) from R539.1m.

Group profits fell 36.6 per cent to R98m from R154m, as all the group's mines reported poorer after-tax profits.

However, this was blamed largely on accounting changes to the prsvious qnarter's results, most notably tbe restatement of figures to reflect a successful insurance claim at Western Areas.

As a result, Western Areas showed the most dramatic fall in after-tax profit, of 51.7 per cent to R36.5m from R75.48m. Randfontein was down 21.8 per cent to R60.3m from R76.9m.

Struggling HJ Joel fell 37.7 per cent, with after-tax profits down to R1.41m from R2.37m, in spite of a shift to a seven-day working week.

However, Mr Kennedy Maxwell, gold division chairman, said the results were satisfactory in the prevailing climate. He was optimistic that the gold price would remain in its current trading range of $370-$400, which would benefit the group.

● Randgold and Exploration, the troubled mining group subject to a management takeover by a consortium led by British merchant bank S.G. Warburg in August, has continued its downward slide, as two of its four mines reported a loss for the September quarter.

Overall, the group's net attributabls profit dropped sharply to just R4.3m from R30.8m the previous quarter. This was in spite of an improved gold price.

Only Harmony, which reported profits after capital expenditure of R8.63m, up from R7.5m in June, showed improvement.

Japanese stores hit as luxury goods sales slow

By Emiko Terazono in Tokyo

Slow demand for luxury goods hurt interim sales at Japanese department stores, in spite of last summer's rise in consumer confidencs dne to a cut in income tax and hot weather.

Takashimaya posted a 3.8 per cent decline in unconsolidated sales to Y342bn ($3.94bn) for the first six months to August because of sluggish consumer and corporate demand.

Pre-tax profits jumped 2.5 times to Y976m due to a Y6bn cut in costs although after-tax profits fall 31.3 per cent to Y1.32bn.

For the full year to February, the company expects pre-tax profits to rise 20.3 per cent to Y3.3bn on a 2.9 per cent decline in sales to Y702bn.

Daimaru said parent sales for the first half fall 2.4 per cent to Y261.4bn whils pre-tax profits dropped 20.7 per cent to Y1.1bn. After-tax profits ross 3.4 per cent to Y527m.

Sales of women's wear rose 2.5 per cent, but sluggish furniture and consumer electronics sales hurt revenne growth. The company cut costs by Y1.8bn.

Pre-tax profits for the full year are forecast to fall 4.6 per cent to Y4.5bn on a 1.2 per cent decline in sales to Y536.6bn.

Matsuzakaya said non-consolidated pre-tax profits for the first six months to August dropped 46.8 per cent to Y711m. Sales declined 6.7 per cent to Y214.9bn due to lower spending per customer.

After-tax profits fell 25 per cent to Y574m. For the full year to next February, it expects sales to fall 4.8 per cent to Y437bn and a 22.8 per cent declins in pre-tax profits to Y2.2bn.

INTERNATIONAL COMPANIES AND FINANCE

Experience gives ambitious TPI an edge

Thai Petrochemical's expansion is seen as a shrewd move, reports Victor Mallet

Anyone criticising Thai Petrochemical Industry for being over ambitious with plans, announced this month, to expand in chemicals, risks receiving a sharp reminder from the company, or from repentant stockbrokers, about TPI's experience in the cement industry.

When TPI Polene (TPIPL), the listed TPI subsidiary, broke into the cement oligopoly dominated by Siam Cement two years ago there was much talk of oversupply and bad timing.

"Now they are seen to be shrewd," admits one Bangkok broker. Demand for cement has been strong and TPIPL has turned in handsome profits. A second cement plant is set to double the company's capacity to 5m tonnes a year.

"It's been a success for us," says Mr Prachai Leophairatana, the TPI chief executive whose ethnic Chinese family controls the group. "We have 10 per cent of the cement market. Next year it will be 15 per cent and in three years, 20 per cent."

TPI's latest proposal is to invest Bt40bn ($1.6bn) during the next few years in expanding its petrochemical complex in Rayong, south of Bangkok. The company is already the country's biggest producer of the plastics used in a range of consumer and industrial products from bottles to car parts.

Planned investments include an oil refinery – Thailand's sixth, with initial capacity of 60,000 barrels a day, rising eventually to 300,000 b/d – an olefins plant to supply raw materials for TPI's downstream plastic production, and several other projects designed to make TPI the country's first integrated petrochemical producer. TPI even intends to open its own petrol stations.

Projects already under way include a doubling of low density polyethylene (LDPE) production to 150,000 tonnes a year, and a 108MW power station that will provide 40MW of electricity to the petrochemicals complex and sell the surplus to the Thai grid. Mr Prachai says both are due on stream at the end of the year.

To help finance further expansion, the Leophairatana family plans to float TPI on the Stock Exchange of Thailand later this year. They expect to raise about $450m by selling 12 per cent of the company, which they say has an annual turnover of about $1bn.

The TPI group says it was hit by low world plastic prices and barely made a profit last year, but it anticipates a firmer market for its products – one-third of which are exported – in the next few years.

"The timing of TPI's expansion is particularly beneficial as it coincides with the beginning of the cyclical upturn in world plastic prices," Mr Prachai said recently.

Much will depend on whether TPI can bring its new capacity into operation quick enough to take advantage of the upturn.

The planned olefins plant for athylene and propylene feedstock will be crucial. At present TPI buys one-fifth of its requirements locally, but has to import the rest and pay heavily for transport to Thailand by refrigerated tanker – which is a substantial proportion of the total cost.

"If we set up by ourselves we should save at least $150 a tonne," says Mr Prachai.

The transport cost of cruda oil for the planned refinery, which would in turn feed the olefins plant, would be relatively modest. The olefins plant would produce 300,000-500,000 tonnes a year of ethylene and 160,000-250,000 tonnes of propylene.

Stockbrokers are bullish about TPIPL, which controls the cement and LDPE interests, and admire the proven determination of Mr Prachai to bring his schemes to fruition.

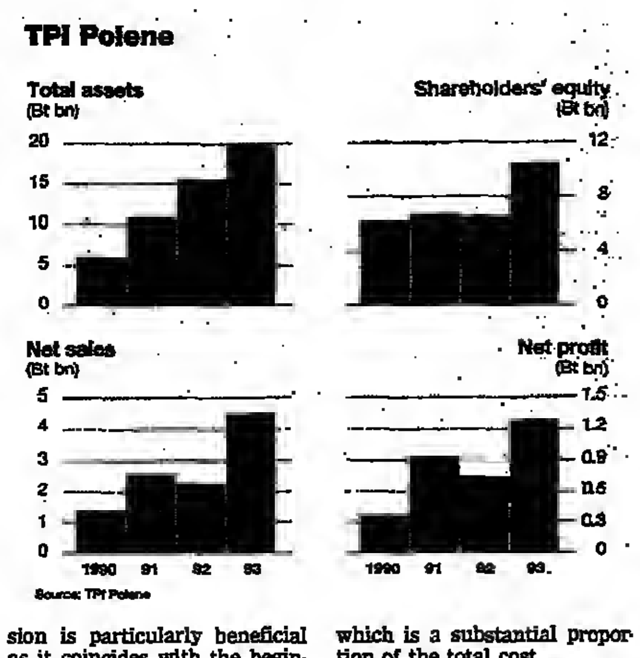
They say the flotation of the TPI parent is likely to be boosted by local enthusiasm for oil and oil-related stocks – a new sector on the Thai stock exchange following recent partial privatisations of several state companies, including olefins producer National Petrochemical (NPC).

But it is doubtful that TPI and other Thai petrochemicals producers could survive global competition without the tariff protection they enjoy in the Thai home market.

Mr Prachai is critical of the way tariffs in the Association of South East Asian Nations are to be reduced under the Asian Free Trade Area. He favours protection for Thailand for the time being:

"If you want the country to flourish, you have to protect it," he says. But he is hostile towards Indonesian, Malaysian and Singaporean attempts to promote their own petrochemical industries.

Mr George Morgan, of stockbrokers HG Asia in Bangkok, believes that TPI's expansion "does reflect tha need of Thailand to move into higher value-added industries; but the disadvantage is that they don't have oil or a large amount of gas".



Source: TPI Polene

China group cuts Giordano stake

By Simon Holberton in Hong Kong

China Resources, one of China's leading trading companies in Hong Kong, has sold virtually all its stake in Giordano, the Hong Kong retailer controlled by Mr Jimmy Lai who recently offended Beijing by publishing a passionate denunciation of the Chinese Communist party.

The move by China Resources – which has reduced its 10.13 per cent interest in Giordano to 0.35 per cent – was seen as further evidence of the disfavour in which Giordano is held in Beijing.

The transaction took place at HK$4.70 a share, and the stock was placed with European and Asian institutions.

Mr Lai, who also publishes the highly successful Next magazine in the colony, accused the Communist party in August of having ruined Chinese culture.

He also launched a personal attack on Mr Li Peng, the Chinese prime minister, in part claiming that his behaviour on a visit to Germany, where he dodged human rights activists, had humiliated the Chinese people.

Soon after the publication of the article, China's ministry of foreign economic trade and co-operation (Moftec) withdrew permission for Giordano to run a store in Beijing's Wangfujing Street. This was immediately followed by Mr Lai's resignation from the chairmanship of Giordano in an attempt to protect his company from further discrimination.

China Resources, which is owned by Moftec, was a foundation shareholder of Giordano when it was listed in 1991. Along with the sale of its stake in the company, Mr Wang Xin Wen, its representative on the board, resigned.

Giordano bounced back in the first six months of this year posting profits of HK$85.3m (US$11m), up more than 58 per cent on the previous corresponding period.

IPO poised to value Thai generator at up to Bt8bn

By Victor Mallet in Bangkok

Shares of Electricity Generating (Egco), which is set to become Thailand's first partly-privatised electricity company, will be priced at between Bt17 and Bt20 for the initial public offering, valuing the company at between Bt6.8bn ($273m) and Bt8bn, the underwriters said yesterday.

Egco, a subsidiary of the state-owned Electricity Generating Authority of Thailand (Egat), is buying a 1,200MW Egat power station in Rayong, south-east of Bangkok; the plant accounts for 10 per cent of Thailand's generating capacity.

After Egco shares are listed, the company has an option to buy the new 824MW Khanom power station in southern Thailand by 1995, and is expected to competa against private-sector rivals for independent power producer projects thet will sell electricity to Egat.

Egco's final IPO price will be set after a book-building roadshow this month, the underwriters said, and the shares will be sold from November 7-9. Egco has already raised Bt14.75bn in loans to pay for most of the Rayong station.

NEWS DIGEST

Sappi doubles income to R145m for six months

Sappi, the South African pulp and paper company which last week acquired US-based S.D. Warren, has announced much improved results for the first six months to August, more than doubling attributable income to R144.8m ($40.5m) from R64.3m, writes Mark Suzman in Johannesburg.

Turnover rose 14 per cent to R3.1bn, up from R2.75bn on the back of greatly improved trading conditions in the pulp and paper industry. Operating income rose 105 per cent to R207m from R101m.

The company's balance sheet remains strong, with gearing only marginally up at 44 per cent from 41 per cent. However, this picture will change from next year when the debt-laden S.D. Warren deal is included.

Sappi announced that it would change its financial year-end from February to September from next year.

EuroDisney to launch advertising offensive

EuroDisney, the France-based European theme park, is launching a substantial advertising offensive, writes Andrew Jack in Paris.

It is to spend three times as much over the next 12 months as it did in the last year on television advertising in its most important markets, including France and the UK, as well as boosting coverage in Germany and the Low Countries. It will also increase spending on radio and in newspapers.

Mr Philippe Bourguignon, chairman, said the company had decided to stop responding piecemeal to attacks on it in the run-up to a major financial restructuring.

He also confirmed that – in a delay to the original plans – EuroDisney would be holding back work on its second park, next to the existing one, until after it has met its target to become profitable in 1996.

● Parc Astérix, the Paris-based theme park competitor to EuroDisney, reported a one-third increase in the number of visitors during its 1994 season to 1.55m.

The park, which is not quoted but backed by companies including Barclays Bank and Compagnie Générale des Eaux, said it had broken into profits this year for the first time with FFr15m following heavy start-up costs since opening in 1989.

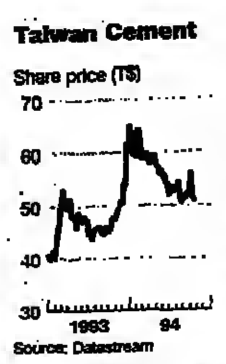
OIAG sells 26% holding in VAE

OIAG, the Austrian state industrial holding company, is selling its remaining 26 per cent holding in VAE, the high-technology railway switch (points) maker that came to the Vienna market two years ago, writes Ian Rodger in Zurich.

The price of the 364,000 shares will be set on November 11 by Bank Austria Investment Bank, lead manager of the issue.

VAE said that it expected its net income to rise 15 per cent to more than Sch110m ($10m) for full-year 1994, and it intended to maintain its 32 per cent dividend. Turnover would fall 4 per cent to Sch1.5bn.

Taiwan Cement tumbles to T$2.4bn



Source: Datastream

Taiwan Cement, the country's biggest cement manufacturer, has reported pre-tax profits of T$2.37bn (US$90.6m) for the first nine months of the year, down sharply from T$3.36bn a year earlier, writes Laura Tyson in Taipei. The company, controlled by the Koo family, said the retreat was due mainly to a T$700m-T$800m shares sale in 1993. Turnover also fell, to T$13.44bn from T$15.04bn, in part due to a slowdown in public and private construction.

Imports of Japanese cement at "unreasonably low" prices had pushed domestic prices down 5 per cent since the beginning of the year, the company said. About 90 per cent of Taiwan's cement imports come from Japan.

Legislation which would raise duties on imported cement through a recalculation of commodity taxes is pending in Taiwan's legislature. If the measure is passed, locally-produced cement will become more competitive.

Far Eastern Textile sharply higher

Rising prices for synthetic fibres and share sales sent profits sharply higher at Far Eastern Textile, Taiwan's largest textile manufacturer, during the first nine months of the year, writes Laura Tyson.

The company reported pre-tax profits of T$1.949bn (US$75m) for the year to September 30, against T$608m during the same period in 1993. Turnover surged to T$17.757bn from T$14.834bn. The company said income was boosted by T$700m in sales of shares in other companies and higher prices for Far Eastern's products. Prices for man-made fibres had climbed 20 per cent in the last year.

Lippo Land dips

Lippo Land Development, the property development arm of Indonesia's Lippo Group, said net income in the 12 months to June 30 1994 fell to Rp21.5bn ($9m) from Rp28.2bn a year earlier, writes Manuela Saragosa in Jakarta.

Revenues for the year totalled Rp44.1bn compared with Rp41.5bn in fiscal 1993. Sales of apartment units contributed Rp53.4bn to total revenues while rentals of office space increased 7 per cent to Rp9.8bn from Rp9.2 a year earlier. Operating income fell 35 per cent to Rp16.8bn.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

NOTICE OF MEETING OF HOLDERS OF 7% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1999 OF RIEDEL ENVIRONMENTAL TECHNOLOGIES, INC. TO BE HELD ON November 9, 1994

PLEASE TAKE NOTICE that a meeting of the holders (the "Holders") of 7% Convertible Subordinated Debentures due 1999 (the "Debentures") of Riedel Environmental Technologies, Inc. (the "Company") will be held at the offices of Chemical Bank, 450 West 33rd Street, 15th Floor, New York, New York, on November 9, 1994 at 10.00 a.m. Eastern Standard Time. Terms used in the Terms and Conditions of the Debentures have the same meaning in this notice.

The purpose of this meeting is to obtain the consent of the Holders to a waiver of the requirements of Section 6(a) of the Terms and Conditions to allow the Company to sell all the outstanding shares of Riedel Environmental Services, Inc. ("RES") to Canonie Environmental Services Corp. ("Canonie"). The sale involves substantially all of the assets of the Company. Section 6(a) imposes restrictions on the Company's ability to sell all or substantially all its assets.

Any such waiver of Section 6(a) will be conclusive and binding on all Holders, whether or not they have given their consent or were present at the meeting of the Holders, and on all holders of coupons whether or not notation of such amendments is made on the Debentures.

Chemical Bank as the Fiscal Agent under the Debentures is entitled to make such reasonable regulations for the meeting of Holders that it deems advisable in addition to those set forth in the Terms and Conditions. The Fiscal Agent has established the following regulations for the purpose of determining who shall be entitled to vote at such meeting or any adjournment thereof.

1. The holding of Registered Debentures shall be proved by the registry books maintained in accordance with that certain Fiscal Agency Agreement dated as of October 11, 1989 by and between the Company and Chemical Bank or by a certificate or certificates of the Fiscal Agent in its capacity as the Company's agent for the maintenance of such books.

2. The holding of Bearer Debentures may be proved by the production of the Bearer Debentures at the meeting. In addition, holders of voting certificates and proxies named in a block voting instruction with respect to Bearer Debentures may vote at the meeting.

3. Accountholders of Euroclear and Cedel to whom Debentures are credited in the relevant clearing system should notify the relevant clearing system to inform the Fiscal Agent no later than 48 hours before the scheduled time for the meeting of the number of votes to be cast for and against the resolution.

4. If a Debentureholder wishes the Fiscal Agent to appoint a proxy to vote on his behalf at the meeting, he must deposit his Debentures with Chemical Bank (London) no later than 48 hours before the scheduled time of the meeting, specifying whether the vote(s) attributable to such Debentures should be cast for or against the waiver. Chemical Bank (London) will then issue a block voting instruction to a proxy of its choice, instructing such proxy to cast such vote(s) in the specified manner.

5. Written instruments appointing proxies, regular on their face, are presumed valid and genuine.

Copies of the proxy statement mailed to shareholders of the Company containing information regarding the proposed sale by the Company of all of the outstanding shares of stock of RES to Canonie, reasons for such sale, terms of the proposed sale and other information regarding the Company may be obtained from William Cox, Vice President and General Counsel of the Company at 4611 North Channel Avenue, Portland, Oregon 97217; phone (503) 286-4656; facsimile (503) 283-2602.

Dated 19 October 1994.

GBP 10,000,000
YORKSHIRE BUILDING SOCIETY
Floating Rate Subordinated Notes due 1999

Interest Rate 6.64063% p. a.
Interest Period October 13th, 1994 January 13th, 1995
Interest Amount due on January 13th, 1995 per GBP 100,000 GBP 1,673.80

BANQUE GÉNÉRALE DU LUXEMBOURG
Agent Bank

Wells Fargo & Company
US$100,000,000
Floating rate subordinated notes due July 1997

The notes will bear interest at 5.8125% per annum for the interest period 19 October 1994 to 19 January 1995. Interest payable on 19 January 1995 will amount to US$148.54 per US$10,000 note and US$742.71 per US$50,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

Bank of Greece
ECU 200,000,000
Floating Rate Notes Due 1997

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 18th January, 1995, has been fixed at 6.8125% per annum. The interest accruing for such three month period will be ECU 174.10 per ECU 10,000 and ECU 1,740.97 per ECU 100,000 Bearer Note, on 18th January, 1995, against presentation of Coupon No. 11.

Union Bank of Switzerland
London Branch Agent Bank
14th October, 1994

LEGAL NOTICES

In the matter of Mehoma Middle East Holding and Management Limited and in the matter of the Cyprus Companies Law Cap 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 19th day of November 1994 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Costas L Mavrocordatos, ACA of Julia House, 3 Themistocles Dervis Street, PC Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 19th day of October 1994.
Costas L Mavrocordatos
Liquidator

GROUP GOLD MINING COMPANIES
Summary of reports: quarter ended 30 September 1994

Randfontein Estates
The Randfontein Estates Gold Mining Company Witwatersrand Limited
Registration number 01/00251/06

	Quarter ended 30.09.94	30.06.94
Ore milled – tons (000)	1 893	1 826
Yield – grams per ton	3,95	4,14
Working cost		
– per ton milled	R124,65	R124,72
– per kilogram produced	R31 575	R30 116
	R000	R000
Net profit before tax	101 670	125 574
Net profit after tax	60 187	76 944
Dividends	—	[illegible]
Capital expenditure	18 315	24 454

Western Areas
Western Areas Gold Mining Company Limited
Registration number 59/03209/06

	Quarter ended 30.09.94	30.06.94
Ore milled – tons (000)	615	574
Yield – grams per ton	7,10	7,09
Working cost		
– per ton milled	R228,28	R218,55
– per kilogram produced	R32 156	R30 853
	R000	R000
Net profit before tax	55 802	78 679
Net profit after tax	36 476	75 461
Dividends	—	80 614
Capital expenditure	10 330	14 577

The previous quarter's results have been adjusted to reflect the settlement of the SV2 rock winder insurance claim.

H. J. Joel
H. J. Joel Gold Mining Company Limited
Registration number 85/01936/06

	Quarter ended 30.09.94	30.06.94
Ore milled – tons (000)	173	154
Yield – grams per ton	5,49	5,51
Working cost		
– per ton milled	R223,38	R222,52
– per kilogram produced	R40 678	R40 363
	R000	R000
Profit from gold	322	1 002
Capital expenditure	14 142	11 926

All figures are unaudited. Quarterly reports have been mailed to the shareholders of each company. Copies of the reports may be obtained from Johannesburg Consolidated Investment Company (London) Limited, 6 St James's Place, London SW1A 1NP.

Johannesburg
19 October 1994

U.S. $100,000,000
Lonrho Finance Public Limited Company
Floating Rate Notes due 1997
Unconditionally and irrevocably guaranteed by
Lonrho Public Limited Company

Notice is hereby given that for the three months interest period from October 19, 1994 to January 19, 1995 the Notes will carry an interest rate of 6.8125% per annum. The interest payable on the relevant interest payment date, January 19, 1995 will be U.S. $174.10 and U.S. $1,740.97 respectively for Notes in denominations of U.S. $10,000 and U.S. $100,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
October 19, 1994
CHASE

PERSONAL

PUBLIC SPEAKING Training and speech writing by award winning speaker.

INTERNATIONAL CAPITAL MARKETS

Treasuries fall as focus returns to inflation fears

By Patrick Harverson in New York and Conner Middelmann in London

US Treasury prices weakened at the long end of the maturity range yesterday morning in the wake of higher oil prices and bearish comments from a Federal Reserve governor.

By midday, the benchmark 30-year government bond was down $\frac{1}{32}$ at 96, yielding 7.842 per cent. Prices were also slightly weaker at the short end, with the two-year note off $\frac{1}{32}$ at 99$\frac{27}{32}$, to yield 6.567 per cent.

In the absence of fresh economic statistics, the market's attention was focused on inflation fears and US monetary policy. Prices firmed slightly in early trading on rumours that the Fed's vice-chairman had told a Japanese newspaper there would be no more tightenings of US policy this year. The rumours, however, proved unfounded, and prices retreated later, after Ms Susan Phillips, a Fed said that the US

GOVERNMENT BONDS

economy was growing at a "surprising" pace.

This was bearish for the bond market, which remains fearful the Fed will raise interest rates again soon to restrain economic growth. Investor concerns about another rate rise have also been exacerbated by the recent weakness in the dollar, which remained in a sickly condition yesterday morning.

Another factor depressing bonds was the price of oil, which climbed for the second consecutive day yesterday amid what appeared to be a wider, general trend toward firmer commodity prices.

■ European government bonds eased on profit-taking after Monday's rally, and some traders said the markets were set for a period of consolidation.

In Germany, which led Monday's gains, the 10-year sector weakened by around ¼ point. The December bund futures contract on Liffe was quoted at around 90.75 in late trading, down 0.29 point on the day.

Having rallied substantially before Sunday's elections, and then continuing their gains on Monday, bunds ran out of steam yesterday in the absence of news or capital flows. "Bunds have had a very good run and are in for a period of consolidation or even a slight correction," said a trader in London.

However, dealers said bunds were underpinned by technical factors in the futures market, where many see 90.50 as strong support. Moreover, dealers hope that money supply data, expected in the next few days or early next week, may show a further deceleration in M3 growth, lifting hopes of another easing in monetary policy.

■ French bonds again did worse than their German counterparts, as investors continued switching out of France into Germany, traders said.

The French market remains dogged by political uncertainty ahead of next year's presidential elections. The yield spread on French 10-year bonds over bunds widened by another two basis points to 70 basis points.

■ UK gilts followed the rest of Europe, with the December long gilt future ending down $\frac{3}{32}$ at 102.

The Bank of England announced the terms of next Wednesday's gilt auction for £2.5bn of a new 8 per cent gilt due 2000. The terms were largely in line with market expectations, although some dealers said they had anticipated a slightly higher coupon.

Although sentiment has not turned negative, some observers expect the market to consolidate in the near future. "In the run-up to the auction the market may come under a bit of downward pressure," said Mr Simon Briscoe, UK economist at S. G. Warburg Securities.

■ Shrugging off weakness in most markets, Swedish government bonds posted small gains on a hawkish inflation report by the Riksbank. They were also encouraged by comments from the new finance minister, Mr Goran Persson indicating that, in addition to the SKr61bn savings plan announced before the elections, the government aimed to undertake further fiscal tightening in January through further spending cuts.

Dealers also welcomed the make-up of the central bank's new policy board, which was seen likely to urge the government to maintain its course of fiscal tightening.

Bank launches Baltic hedge fund

By Norma Cohen, Investments Correspondent

Banks in the Baltic states of Estonia, Latvia and Lithuania are seeking dollar-denominated assets through a new investment fund which will buy local bank Treasury bills and certificates of deposit.

The Baltic Cash Fund, an offshore hedge fund registered in the Cayman Islands, has been launched by Latvia's International Bank of Riga and its wholly-owned fund management subsidiary, Baltic Asset Management (BAML). The two British directors of BAML are directors of Quantec, a UK-based consulting firm specialising in active quantitative fund management applications.

The fund, which has applied for listing on the Irish stock exchange, hopes to raise $40m from large institutional investors with minimum investments of $100,000 each.

It will invest primarily in short-dated bank paper with an average maturity of 60 days from Latvia and Lithuania, and in commercial paper from Estonia. Fund managers said rates on these instruments can be as high as 25 per cent for US dollar-denominated bank CDs; government Treasury bills, in local currency, can earn more than 20 per cent.

"These rates reflect the shortage of the hard currency required by the banks for lending to local enterprises as the Baltic economies continue to develop rapidly," said Mr Aigar Sevels, chief executive officer of BAML. He said Baltic entrepreneurs needed hard currency for trade with neighbouring countries such as Russia, where the soft rouble fell by more than 30 per cent in the first 11 days of October.

Liffe in talks on link-up with Simex

Liffe is exploring the potential for co-operation with the Singapore International Monetary Exchange, as part of its strategy of seeking links with exchanges outside the European time zone, writes Richard Lapper.

The discussions with Simex concern non-Japanese products, with an initial focus on the euromark contract.

Simex, the third largest centre for dollar/D-Mark business in the world and the largest in Asia, already uses the final settlement price of the Liffe euromark contract to settle its own euromark contract.

Liffe is also in talks with the Tokyo International Financial Futures Exchange (Tiffe) on an arrangement to distribute a euroyen contract. It already has a separate arrangement with the Tokyo Stock Exchange for the Japanese government bond contract.

Steady demand for Austrian bank's offering

By Graham Bowley

The eurobond market saw a large number of new issues yesterday in a variety of currencies, with Osterreichische Kontrollbank's $400m offering of five-year bonds the main attraction.

INTERNATIONAL BONDS

The fixed-rate bonds, which mark the Austrian bank's first foray into the dollar sector since September 1993, were priced to yield 17 basis points over US government bonds.

Syndicate managers said the pricing was quite tight compared with similar eurobonds already in the market, such as the World Bank's five-year global bond, trading at 11 basis points over, and Japan Development Bank's eurobond, which is trading at 22 over.

Nevertheless, they found steady demand from retail investors in Switzerland and the UK, and good institutional support, lead manager Goldman Sachs said.

One syndicate manager said: "The deal should have come around 20 basis points over, but nevertheless it will go well."

Another official said: "They chose the right part of the yield curve to marry retail and institutional demand, although not all the bonds will be sold at 17 over."

The bonds are due to be freed to trade this morning, after being held in syndicate overnight for the opening of the Japanese market.

The return of cautious optimism to government bond markets following the German elections, and a shortage of US economic statistics this week has boosted new eurobond issuance in recent days, syndicate officials said.

"There has been a lot of activity in the last couple of days on the back of the elections in Germany," said one salesman. "We are also approaching the year-end and many lead managers are bidding to move up the league table."

Late in the session, Abbey National First Capital BV launched a $500m offering of 10-year yankee bonds priced at 62.5 basis points over US government bonds.

In the lira sector, the European Investment Bank launched a L200bn offering of four-year bonds, with a coupon of 10.15 per cent, fungible with the L400bn offering of bonds launched last week. Sources said the proceeds were swapped into floating-rate lire.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
OKB(a)#	400	7.50	99.753R	Nov.1999	0.25R	+17(7½%-99)	Goldman Sachs International
Banco di Napoli(Ldn Branch)‡	100	(b)	99.50R	Nov.1999	0.20R	-	Salomon Brothers Intl.
Moscow Narodny Finance(c)‡	75	(c1)	98.50	Oct.1999	2.35	-	West Merchant Bank
Banco Bradesco	60	9.625#	100.00R	Nov.1997	0.75R	+273(d)	UBS
YEN							
Swedish Export Credit(e)	10bn	(e1)	99.99	Nov.1997	undiscl.	-	Yamaichi Intl.(Europe)
D-MARKS							
National Bank of Hungary	500	9.75	101.66	Nov.2001	2.25	-	Bayerische Landesbank
ITALIAN LIRE							
European Investment Bank(f)	200bn	10.15	98.655	Jul.1998	1.375	-	BCI/Cariplo/JP Mrgn/S.Paolo
AUSTRALIAN DOLLARS							
New Sth. Wales Treasury Corp.	100	10.60	101.45	Dec.2004	2.125	-	Hambros Bank
SWISS FRANCS							
Verbund. & Tauernkraft.	250	5.75	102.50	Nov.2000	2.25	-	von Ernst/Credit Suisse/UBS
City of Vienna	150	5.375	102.25	Nov.1998	1.75	-	Gottardo/von Ernst/Merrill

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Long 1st coupon. b) 3-mth Libor +30bp. c) Callable & puttable on coupon dates from Oct.97 at par. Share ownership default clause. c1) 3-mth Libor +1%. d) Over interpolated yield. e) Callable on 1/11/95 at par. e1) 3.10% to 1/11/95 and 9.70% thereafter. Long last coupon. f) Fungible with L1800bn. Plus 132 days accrued.

Cedel sets up on-line securities order system

By Norma Cohen

Cedel, the international clearing and settlement organisation, is to set up a subsidiary, called Liberty, to run an electronic on-line order routing service for European investors seeking access to the North American markets.

Investors will be able to buy and sell securities on all the leading North American equities exchanges, as well as on the Chicago Board of Trade and the Chicago Mercantile Exchange.

The product, InterTrade Direct, is designed to be compatible with most broking work stations and internal systems.

Liberty intends to extend the system to allow European investors access to Latin American and Pacific markets by the first quarter of 1995, and plans an extension allowing US investors similar access to European markets.

Investors choosing the system will pay no fees, although broker-dealers who receive the orders will pay fees to the system. Those broker-dealers may then pass some of the costs on to investors in the form of commissions.

Investors with access to screen-based information-providers can research prices of North American equities and electronically send buy and sell orders to US brokers.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.7300	−0.470	10.18	10.10	10.10
Belgium		7.250	04/04	83.5300	−0.050	8.25	8.44	8.65
Canada *		6.500	06/04	84.0500	+0.100	9.02	8.90	8.94
Denmark		7.000	12/04	88.8000	−0.150	8.70	8.65	9.22
France	BTAN	8.000	05/98	102.0000	+0.190	7.33	7.48	7.58
	OAT	5.500	04/04	83.7100	+0.060	8.01	8.10	8.21
Germany Treu		7.500	09/04	100.8800	−0.110	7.35	7.56	7.71
Italy		8.500	08/04	82.0300	+0.300	11.62†	11.87	11.81
Japan	No 119	4.800	06/99	102.6060	−0.310	4.09	4.14	3.91
Japan	No 164	4.100	12/03	95.9080	−0.250	4.74	4.75	4.55
Netherlands		7.250	10/04	98.8400	−0.280	7.34	7.52	7.64
Spain		8.000	05/04	82.4000	−0.640	11.05	11.08	11.37
UK Gilts		6.000	08/99	90-20	−9/32	8.40	8.51	8.83
		6.750	11/04	88-04	−9/32	8.62	8.88	9.02
		9.000	10/08	103-30	−13/32	8.51	8.67	8.97
US Treasury *		7.250	08/04	97-14	−1/32	7.62	7.61	7.52
		7.500	11/24	95-30	−1/32	7.85	7.83	7.80
ECU (French Govt)		6.000	04/04	84.4700	−0.120	8.43	8.59	8.81

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.84	Two year	6.58
Prime rate	7¾	Two month	4.85	Three year	6.86
Broker loan rate	8½	Three month	5.04	Five year	7.28
Fed.funds	4$\frac{13}{16}$	Six month	5.58	10-year	7.62
Fed.funds at intervention	-	One year	6.04	30-year	7.85

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	111.62	111.78	-0.12	111.94	111.50	142,806	129,804
Mar	111.04	111.02	-0.12	111.14	110.86	2,613	9,405
Jun	110.28	110.28	-0.12	110.28	110.06	13	661

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
110	1.66	2.39	-	0.11	0.62	-
111	1.10	1.80	2.05	0.25	0.81	2.06
112	0.47	1.05	-	0.74	1.25	2.56
113	0.12	0.60	-	1.34	1.90	-
114	0.02	0.31	0.80	-	-	-

Est. vol. total, Calls 25,117 Puts 23,824 . Previous day's open int., Calls 280,674 Puts 332,463.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.90	90.82	-0.22	91.18	90.58	148486	175355
Mar	90.06	90.04	-0.20	90.06	89.95	318	4133

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
9050	0.63	1.21	1.08	1.39	0.31	0.89	1.49	1.85
9100	0.36	0.94	0.82	1.19	0.54	1.12	1.76	2.12
9150	0.19	0.71	0.65	0.98	0.87	1.39	2.11	2.42

Est. vol. total, Calls 26584 Puts 21595. Previous day's open int., Calls 298574 Puts 297978

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.30	99.78	+0.15	100.16	99.16	35800	60393
Mar	99.10	98.98	+0.13	99.10	98.98	696	2972

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9950	1.67	2.45	1.39	2.97
10000	1.41	2.23	1.63	3.25
10050	1.17	2.05	1.89	3.55

Est. vol. total, Calls 1478 Puts 1702. Previous day's open int., Calls 22501 Puts 27490

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	88.06	87.60	-0.56	88.23	87.51	67,324	75,485

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102-06	102-00	-0-13	102-06	101-19	53489	93194
Mar		101-03	-0-13			0	45

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
102	1-20	2-10	1-20	3-04
103	0-54	1-45	1-54	3-39
104	0-32	1-21	2-32	4-15

Est. vol. total, Calls 10080 Puts 5167. Previous day's open int., Calls 73986 Puts 41619

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	81.36	81.40	-0.12	81.52	81.24	1,916	7,198

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	99-14	99-18	+0-06	99-21	99-11	218,772	405,814
Mar	98-23	98-25	+0-05	98-31	98-23	738	27,252
Jun	-	98-00	-	-	-	2	11,393

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	107.23			107.28	107.16	1199	0
Mar	106.48			106.52	106.48	60	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Oct 18	Day's change %	Mon Oct 17	Accrued interest	xd adj. ytd		Low coupon yield Oct 18	Oct 17	Yr. ago	Medium coupon yield Oct 18	Oct 17	Yr. ago	High coupon yield Oct 18	Oct 17	Yr. ago
1 Up to 5 years (24)	119.24	−0.12	119.38	0.98	9.83	5 yrs	8.48	8.40	6.09	8.53	8.45	6.34	8.67	8.60	6.50
2 5-15 years (22)	139.77	−0.42	140.36	1.86	10.66	15 yrs	8.41	8.35	6.99	8.55	8.48	7.13	8.78	8.70	7.35
3 Over 15 years (9)	157.51	−0.63	158.51	2.88	9.81	20 yrs	8.36	8.31	7.12	8.55	8.48	7.18	8.65	8.58	7.37
4 Irredeemables (6)	182.16	+0.07	181.98	4.15	8.83	Irred.†	8.40	8.40	7.26						
5 All stocks (60)	136.86	−0.35	137.45	1.58	10.35										

Index-linked							Inflation 5% Oct 18	Oct 17	Yr. ago	Inflation 10% Oct 18	Oct 17	Yr. ago
6 Up to 5 years (2)	185.94	−0.01	185.95	0.21	5.07	Up to 5 yrs	3.82	3.81	2.32	2.61	2.59	1.45
7 Over 5 years (11)	173.61	−0.05	173.69	0.65	4.38	Over 5 yrs	3.83	3.82	3.13	3.63	3.62	2.95
8 All stocks (13)	174.01	−0.04	174.09	0.60	4.41							

Debentures and Loans						5 year yield Oct 18	Oct 17	Yr. ago	15 year yield Oct 18	Oct 17	Yr. ago	25 year yield Oct 18	Oct 17	Yr. ago
9 Debs & Loans (77)	128.57	−0.65	129.41	2.25	8.95	9.78	9.51	7.75	9.58	9.46	8.06	9.48	9.40	8.18

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 18	Oct 17	Oct 14	Oct 13	Oct 12	Yr ago	High*	Low*
Govt. Secs. (UK)	91.78	92.28	91.89	91.73	91.34	102.88	107.04	89.54
Fixed Interest	109.08	109.69	108.65	108.22	107.76	124.14	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 17	Oct 14	Oct 13	Oct 12	Oct 11
Gilt Edged bargains	81.4	97.9	103.5	105.3	98.0
5-day average	89.3	99.2	95.6	90.8	84.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 18

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	89½	89¾	+⅛	8.25
Alberta Province 7⅞ 98	1000	100⅛	100⅜		7.58
Austria 8½ 99	400	103⅛	103⅝		7.71
Bank of Tokyo 8⅞ 99	100	101⅝	102⅛	+⅛	7.11
Belgium 5½ 03	1000	83¼	83½		8.19
[illegible]					
United Kingdom 7⅛ 97	5500	101¼	101⅝		6.65
Volkswagen Intl Fin 7 03	1000	85¼	85¾		7.77
World Bank 0 15	2000	20⅝	21⅛	+⅛	7.68
World Bank 5⅞ 03	3000	86⅝	86½	-⅛	7.50
World Bank 8⅞ 99	1250	109¾	110¼	-½	6.57
Abbey Natl Treasury 8 03 £	1000	92	92⅜	-¼	9.40
Alliance Leics 11⅛ 97 £	100	105⅛	105½	-⅛	8.55
British Land 8⅞ 23 £	150	88⅞	89⅜	-⅛	10.32
Denmark 8¾ 98 £	600	93¼	94		8.72
EIB 10 97 £	637	103½	103⅞	-⅛	8.22
Halifax 10⅜ 97 £	100	104	104½	-⅛	8.40
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
[illegible]						

Funding 3½pc 1999-4 ... 4.76 7.41 73¼ ... Conversion 9½pc 2004 ... Index-Linked ... [illegible]

Other Fixed Interest [illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. £ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

COMPANY NEWS: UK

English China makes $45.4m chemicals buy

By Tim Burt

English China Clays, the minerals and chemicals group, is making its first acquisition since its decision earlier this year to demerge Camas, its construction materials arm, and expand the speciality chemicals division

In the first stage of a $100m (£63m) acquisition strategy, the group said it was paying $45.4m for EZE Products, the US supplier of speciality chemicals to the paper and surface-treatment industries.

The deal will strengthen ECC's presence in the North American chemicals industry, where it established a foothold last year with the £202m acquisition of Calgon, the former Merck subsidiary.

Mr Andrew Teare, chief executive, predicted the group would also make a eimilar sized purchase in continental Europe, although e deal was not imminent.

"We're pleased to get a decent size acquisition under our belts, and we will now focus the business on production for the paper industry," he said.

City analysts, however, said the move looked expensive given thet EZE's net assets were valued at $7.4m, a sixth of the purchase price, at the end of last year.

Andrew Teare: European deal planned bnt not imminent

"On a pro forma basis, it would beve made a negligible profit contribution," said one analyst. "Chemicals will remain only a small part of ECC, and I think it will be 1996 before we see a sizeable profits increase from speciality chemicals."

EZE last year made profits of $1.2m, before tax and interest, on turnover of $33.7m. In the same period, Calgon contributed £7.2m to ECC's £105.2m operating profits.

Mr Teare, however, said the business would not only improve ECC's exposure to the fast-growing paper chemicals market, but would give it an important presence on the west coast and in the southern US.

The company would also achieve annual cost savings of $3.1m following its integration into Calgon, he added.

Although Calgon's paper operations will be relocated from Pittsburgh to EZE's manufacturing base in South Carolina, the new subsidiary was warned that up to 20 per cent of its 235 staff would be made redundant.

The acquisition is being funded from cash resources, and is expected to push net borrowinge up to £190m for gearing of about 35 per cent.

It is expected to use further borrowing to finance its next chemicals acquisition, but gearing should remain modest while ECC continues to sell its land bank, which is worth up to £70m at present market prices.

Analysts applauded the industrial logic behind the diversification into speciality chemicals, but predicted it could be earnings dilulive in the short-term.

The shares closed down 2p at 365p.

Paterson Zochonis shares fall on warning

By David Blackwell

Shares in Paterson Zochonis fell 51p to 438p yesterday after the detergent and soap mannfacturer warned that profits for the current half year would be hurt by problems in Nigeria.

The statement accompanied results for the year to the end of May showing pre-tax profits up from £25.3m to £28.1m, while sales increased from £233.4m to £266.6m.

Operating profits at the group, 65 per cent held by the Zochonis family, the directors and related interests, were ahead from £11.5m to £15.4m. The share of profits from associated companies – mainly in Nigeria – increased from £3.16m to £4.73m.

Nigeria accounts for about 30 per ceot of sales. Mr Alan Whittaker, finance director, said that the gronp's operations there were suffering from a lack of foreign exchange in the banking system, hitting their ability to import sufficient raw materials.

Factory thronghpnt would have to be reduced. Mr Whittaker said, and exports of chemicals from the UK to Nigeria would also fall.

He hoped to see some improvement after the Nigerian budget at the beginning of next year.

The second most important contribntor to the gronp is Cussons in the UK, which accomted for sales of aboot £65m. Mr Whittaker said Cussons, owner of the Imperial Leather brand, had improved its share of the liquid soap market from 5 to 20 per cent, and had slightly increased its market share for conventional soap to 23-24 per cent.

The Polish detergents operation, acquired in March last year, exceeded expectations and contribnted £25m to turnover.

Profits were ahead in Australia and Thailand, and the Indonesian operations looked like moving into the black this year.

Profits in Greece recovered from low olive oil prices and a decision on a second factory was expected soon.

Tha pre-tax line was struck after investment income of £13.9m (£16.4m) and payment of £5.87m (£5.73m) in interest. The balance sheet sbows investments of £167m.

Mr Whittaker said further acquisitions were possible, bot they were likely to be modest purchases in areas where markets were expanding, snch as eastern Europe.

Earnings per share emerged at 36.6p (32.01p). A final dividend of 11.4p is proposed, taking the total for the year to 13.85p (12.6p).

Valuation of cellular components group well below expectations

Filtronic Comtek priced at 105p

By Paul Taylor

Shares in Filtronic Comtek, a manufacturer of components for the cellular mobile telecommunications industry, were priced yesterday at 105p each.

This values the group at £44.1m, well below expectations which had ranged as high as £60m.

Tbe company is placing 23.8m shares – 57 per cent per cent of the enlarged equity – with institutional investors.

The flotation price is understood to have been marked down "to a more realistic" level after discussions with potential investors and in the light of market conditions.

In recent weeks several new issues – including Independent British Healthcare, Martin Retail Gronp and Seaperfect – have been postponed while a handful of other recently listed companies are trading well below their offer prices.

Mr Tim Linacre, a director of corporate finance at Panmure Gordon, the underwriter, sponsor and broker to the Filtronic Comtek issue, acknowledged that the price was "at the bottom of the range" of forecasts.

He pointed out, however, that under a share option scheme covering five directors and other key employees, exercisable over the next six years, a further 6.85m shares could be issued lifting the group's market capitalisation, based on the flotation price, to £51.3m.

Mr Linacre admitted that the new issue market had been "a bit sticky" in the wake of the share price collapse of some recent new issues such as Aerostructures Hamble. However, he said there had been good demand from institutions for Filtronic Comtek shares, "which had been priced sensibly".

Under the placing 9.5m shares are being sold by existing shareholders including Professor David Rhodes, the Leeds University academic who formed the original Filtronic company in 1977. Filtronic Comtek was demerged from Filtronic at the end of June.

Prof Rhodes, the executive chairman, is raising £1.4m through the placing but will retain an 11.5 per cent interest in the expanded capital.

The remaining 14.3m ehares in the placing are being issued by the company to raise £13.8m net of expenses.

Prof Rhodes said the net proceeds "will be used to fund the expansion, including investment in new facilities, capital equipment and research and development, as well as reducing borrowings and providing funds for working capital."

Sales in the company, which manufacturers high technology products for use in cellular telephone base stations, have grown from £1.23m in 1992 to £10.2m in the year to May 31.

Over the same period pre-tax profits have increased tenfold to £1.11m, equivalent to fully diluted earnings per share of 2.39p.

The shares are due to start trading on Monday.

Stakis hotels improve in last quarter

By James Buxton

Stakis, the hotels and casinos group, yesterday reported an encouraging performance in its hotel operations and some improvement in its casinos in the last quarter of its financial year.

The company was issuing its first quarterly trading statement and will not produce its results for the year to October 2 until January 10 1995.

In the hotels division there was a 1 percentage point rise in occupancy in the quarter to 77.9 per cent, whereas in the year there was a 1.2 points rise to 69.7 per cent.

Stakis pushed up its average room rate by £1.57 in the quarter to £41.61 and by £1.89 in the year to £41.63.

Tha average number of rooms available increased from 3,758 in the third quarter of 1993 to 4,201 in the third quarter of 1994, which reflects the acqulsition of four botels.

However, Stakis said none of the newly purchased hotels had made a big impact on the result for the year. Two of them, the Arundel Hotel in West Sussex and tha Bath Hotel, Avon, were only acquired in the summer.

The Norwich Hotel, Norfolk, acquired in April, made a broadly neutral contribution and the Coburg Hotel in London, acquired in March, suffered from low margin tour business which had been accepted before the hotel changed hands.

In casinos, attendances rose by 7 per cent over last year as a whole, but were up only 0.6 per cent in the quarter. Average spend per head on casino chips rose hy 8.1 per cent to £134 in the quarter and by 6.8 per cent cumulatively to £126.

Cash drop – the total amount spent on chips – was up 8.8 per cent in the quartec and 13.8 per cent in the year, mainly reflecting the addition of three new casinos in the Midlands.

However, the gaming margin (the percentage of bets which the casino retains) fell by 0.8 percentage points to 17.3 per cent in the quarter, though it was 0.2 percentage points higher in the year as a whole.

T&N sells German engine seals subsidiary to SKF

By Tim Burt

T&N, the automotive components and engineering group, yesterday said it was selling Goetze Elastomere – its German engine seals snbsidiary – to SKF, the world's leading manufacturer of roller bearings.

The Swedish group is understood to be paying more than £30m for the Cologne-based business, which T&N inherited last year following its DM250m (£102m) acquisition of Goetze, the German piston ring producer.

Mr Colin Hope, T&N chairman, said: "The activities of Goetze Elastomere do not fit in with the rest of the group's product range and we believe that the company and its employees will benefit from being part of a group with a larger worldwide presence in this particular market."

SKF plans to integrate the business into its core seals and bearings division, complementing existing operations in North America and Italy.

"We've been looking for an opportunity in Germany for some time, and this will improve our position in tbe European automotive market," said Mr Lars Malmer of SKF.

T&N had indicated earlier that the deal could signal the start of a series of non-core disposals aimed at reducing the group's £362.6m net borrowings, equivalent to gearing of 60 per cent.

By helping to reduce gearing, such disposals are likely to give the UK group additional borrowing capacity should it decide to buy a majority stake in Kolbenschmidt, a German motor components manufacturer. Last month, T&N acquired options on a 52.2 per cent stake in the piston and bearings company, which could greatly strengtben its position in the German market.

Emap expands magazine distribution

By Raymond Snoddy

Emap, the publishing and exhibitions group, is expanding its presence in the magazine distribution market in the UK through a joint venture with Hachette Distribution Services.

Hachette is forming a 50-50 joint venture with Frontline, a consortium in which Emap is the majority shareholder. The other Frontline shareholders are the BBC and Haymarket.

Frontline, founded by Emap, is davoted to the distribution and trade marketing of magazines produced by its three owners and that will continue.

The new distribution company, called Seymour, will be aimed at "third party business" – distributing magazines for other organisations under contract.

Emap already has close links with Hachette. They publish jointly three former Murdoch titles, Elle, Elle Decoration and Sky.

The existing Seymour company has 4 per cent of the magazine distribution market in the UK by retail value, compared with Frontline's 19 per cent.

Seymour already distributes magazines such as Time International, The Spectator, National Geographic and Investors Chronicle.

Mr Geoff Stott, Frontline's chief executive, will also become chairman of Seymour and Mr Lloyd Wigglesworth becomes managing director of Frontline.

Henry Boot advances by 10% despite pressure on margins

By Richard Wolffe

Henry Boot, the construction and property group, increased pre-tax profits by 10 per cent at the interim stage despite pressure on margins in building and civil engineering.

The Sheffield-based company reported pre-tax profits of £2.57m (£2.35m) on turnover up 11 per cent from £64.6m to £72.1m for the six months to June 30.

However, it warned that overcapacity in the market would continue to depress pretax margins – down slightly to 3.57 per cent (3.63 per cent) – as increased house sales were not accompanied by price rises.

"There is still a lot of competition for too little work," said Mr Jamie Boot, managing director. "We are overcoming that to a large degree by being fairly selective in the type of work we tender for, tendering for building work rather than civil engineering."

The company's outlook on construction activities improved after winning a £26m contract at Connah's Quay power station, near Chester, from GEC-Alsthom.

Housing sales increased in the early part of the year, but have slowed since May. The company said the housing market was still coming to terms with the interest rate rise in September, although demand had recovered this month.

The overall performance was helped by property investment and development activities, which enjoyed a high level of enquiries from institutions for ongoing developments.

Earnings per share climbed 8 per cent to 6.8p (6.3p). The interim dividend is 1.85p (1.7p).

Lucas closes brake foundry

Lucas Industries, the automotive and aerospace components manufacturer, said yesterday that Eurofonderie, its braking foundry, is to cease operations in Gembloux, Belgium.

The cost of the move, which forms part of the restructuring of the group's braking businesses, will be covered by past provisions.

The foundry currently employs 255 people. Lucas said the operation was of "insufficient scale to compete effectively against the world class foundries".

NEWS IN BRIEF

FRIENDLY HOTELS hae signed an agreement with Choice Hotels International, whereby all 27 botels operated by Friendly in the UK, France and Denmark will become Choice franchisees for 10 years. In addition, Friendly has been granted a 10-year management agreement by Choice for the 125-bedroom Comfort Inn in Cromwell Road, London.

IAWS GROUP has bought Yorkshire-based Malton Fertilisers.

JERMYN INVESTMENT Company's underwritten rights issue been accepted in respect of 2.4m shares (30.01 per cent).

MEDIA TECHNOLOGY Corporation's offer for Faxcast Broadcast has been accepted in respect of 70.6m shares (58.69 per cent) taking the total shares it controls to 106.2m (88.27 per cent).

MINMET, Dublin-based mineral explorer, made pre-tax profits for six months to June 30 of I£62,322 (£81,600), against I£129,364.

PASCOE'S GROUP has sold its wholly-owned subsidiary, Kenworthy Garden Products, for £330,000 cash. The disposal is in line with its strategy to concentrate on the development of its core branded pet foods.

SAFELAND has transferred a retail property in Caetle Square, Weoly Castle, Birmingham, to its subsidiary, Safeland Investments. The book value after transfer is £940,000 and total rental income is £92,825 a year.

SOUTHNEWS' wholly-owned subsidiary, Kennyhill, has acquired a further 50 per cent in Eastern Eye Publications for £270,000, increasing its holding to 60 per cent. Eastern Eye publishes a weekly paid-for newspaper targeted at young Asians which sells mainly in the London, Birmingham and Manchester areas.

NEWS DIGEST

Bowater in talks with Nampak

Bowater, the packaging and printing group, is in discussions with Nampak, South Africa's largest packaging group, which might lead to the merging of their UK blow moulded plastic container businesses.

Bowater's Polysystems business could be merged with that of BlowMocan, a UK-based company owned by Nampak, in return for equity in BlowMocan. The businesses have a combined turnover of about £26m.

Castle Mill losses

Castle Mill International, the wholesale distributor of clothing, saw pre-tax losses increase from £256,000 to £322,900 in the first half of 1994. Turnover was virtually unchanged at £1.04m. The company said the result reflected the seasonal nature of turnover in Fashion Accessories international and continuing pressure on margins from retailers who are reluctant to raise prices in highly competitive markets.

Losses per share were 1.58p (1.84p).

Finsbury Smaller

Finsbury Smaller Companies Trust, managed by Finsbury Asset Management, plans to raise up to £15m before expenses through an issue of C ordinary shares.

A placing of up to 10m C shares and an offer for subscription of a further 5m C shares at 100p each will be made. Existing shareholders have priority over up to 10 per cent of the offer for subscription.

The C shares will be convertible into ordinary shares at the earlier of March 31 1995 or when 80 per cent of the aggregate assets attributable to the C ordinary shares have been invested in smaller companies.

Sponsor to the issue is SG Warburg.

Taylor Woodrow

Taylor Woodrow, the construction group, has continued its expansion in Florida with the $17m (£11m) purchase of a 313-acre development site in Naples on the Gulf coast.

The site has planning epproval for 799 homes and a golf course. There are plans to complete the infrastructure and landscaping within the next few months and to develop a country club.

The building of homes, with prices between $150,000 and $350,000, should begin early next year.

The move follows the $20m purchase last month of 653 acres in Palm Beach County in a joint venture with Kenco Communities, a US developer.

Taylor Woodrow is at present involved in six other developments in Florida.

Premier Health

Because of an expected shortfall at its US offshoot, Nursing Management Services, second half operating profits of Premier Health Group were likely to be lower than the first half, the health services group warned.

The winding down of a large contract in Atlanta had contributed to the shortfall. The company said the recent signing of new contracts should help to alleviate this though the full benefit of these contracts would only be felt in 1995.

Templeton Latin

Templeton Latin America Investment Trust had a fully diluted net asset value of 96.3p per share at June 30, a fractional decline on the initial value of 96.5p on May 3, the date of the trust's market listing.

Net revenue for the period from March 4 – the date of incorporation – to end-June was £12,000 for earnings of 0.03p per share.

Whitchurch listing

Whitchurch Group, the meat processing and distribution company, has applied for admission to the Official List. Permission is expected to be granted today with first dealings tomorrow.

In February, Shore Capital placed 2.73m shares and raised £1.28m for the company. The shares currently trade under Rule 4.2 at 54¼p, giving the group a market capitalisation of £7.28m.

HK Trust assets up

The Hong Kong Investment Trust lifted net asset value per ordinary ehare by 8 per cent – from 60.6p to 65.64p – during the 12 months to June 30.

The Tyndall-managed trust reported net revenue of £387,740 (£401,077) for earnings of 1.94p (2.01p) per share. The proposed final is 1.1p for a total of 1.85p (1.75p).

Berry Birch lower

Berry, Birch & Noble, the USM-quoted financial adviser, reported pre-tax profits down from £460,000 to £380,000 in the half year to July 31.

Turnover advanced from £3.59m to £4.05m but increased oparating costs resulted in lower profits. The company said action had been taken to cut costs, the full benefit of which would be seen in 1995.

Earnings per share were 4.4p (5.3p) and the interim dividend is cut from 2.1p to 1.5p.

The shares fell 9p yesterday to 95p.

Wm Bedford warns

William Bedford, the USM-traded antique dealer and restorer, staged a profits recovery as sales almost doubled in the six months to June 30.

On turnover of £1.24m (£651,556), the pre-tax line confirmed the recovery shown in the second half of the preceding year with profits of £96,706 against losses of £10,898.

Earnings per share were 1.8p (losses of 0.2p).

However, Mr John Bedford, chairman, warned that margins remained "under considerable pressure" and sounded a warning on current trading.

"The recovery in sales [in the first half] has not so far been maintained in the second half. Sales in July were significantly below those of last year, while August and September have been exceptionally quiet."

Ldn & Strathclyde

London & Strathclyde Trust raised net asset value by 8p to 266.8p per share over the year to August 31.

After-tax revenue increased from £816,000 to £881,000 in the 12 months and earnings per share came to 6.03p (5.58p). The proposed final dividend is held at 4.25p for a same-again total of 5.75p.

COMPANY NEWS: UK AND IRELAND

Barrs claim majority backing for campaign

By Richard Wolffe

Nicholas and Robert Barr, the brothers who are attempting to unseat their uncle, Mr Malcolm Barr, as chairman of Barr & Wallace Arnold Trust, yesterday claimed that the holders of more than 50 per cent of the voting shares were backing their campaign.

The brothers said they had majority support among ordinary shareholders for their attempts to take control of the board and change strategy at the motor distribution and leisure group. Mr Kerry Firth, a Barnsley-based businessman who owns 16 per cent of voting shares, is one of those who has pledged support.

Nicholas and Robert are the sons of Mr Stuart Barr, the managing director who died two years ago. They speak for nearly 30 per cent of the group's voting shares.

However, the Barr & Wallace board launched a counter attack yesterday by proposing to enfranchise the company's non-voting sharas, owned mainly by institutions. Ironically, enfranchisement has been one of the rebels' principal proposals.

The board said that a vote on enfranchisement would take place before an EGM called by the Barr brothers. The brothers demanded the EGM last week to unseat Mr John Parker, chief executive, and Mr Brian Small, finance director.

Malcolm Barr said: "Enfranchisement is such an important issue in terms of increasing shareholder valne and future progress of the group that it merits being voted on in its own right."

The board is proposing a 1-for-1 scrip issue to ordinary shareholders to compensate them for the loss of voting control. It also intends to maintain the final dividend on the enlarged share capital.

A circular is to be sent to shareholders no later than October 28, with a meeting expected by mid-November.

The Barr brothers plan to split the group's motor and leisure divisions and reduce central overheads.

"We felt for some time that the two divisions did not have anything in common and gained no strategic benefit by being linked to each other," said Nicholas Barr, who was development director of tha Barr & Wallace motor division until his resignation in September last year.

"I got a lot of personal pent-up frustration by seeing the group spend money on hotels and not being able to develop the motor business.

"We also believe there are potentially more effective ways to use the company's capital than buying property assets. The board has failed to find sensible niche markets to bolt on to the leisure activities."

The board counters the brothers' arguments by pointing to a 40 per cent rise in pre-tax profits in the six months to June. Pre-tax profits stood at £923,000 on turnover up 15 per cent to £124m.

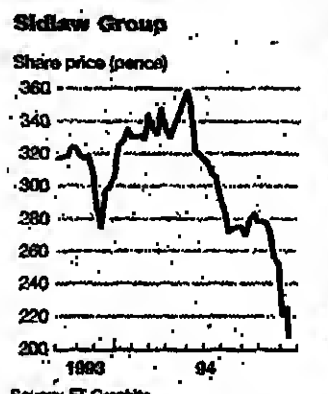
Mr Small and Mr Parker were appointed in May. Since then operations disposed of include Trust Leasing, sold to Robert Barr for £2.15m in July.

Sidlaw calls for £23.7m to fund two-year reorganisation

By Peter Pearse

Sidlaw Group

Share price (pence)



Source: FT Graphite

Sidlaw Group, the Scotland-based packaging, oil services and textiles company, yesterday launched a £23.7m rights issue to fund a two-year reorganisation and capital expenditure programme for its packaging division.

The issue was priced at 180p a share. The shares closed down 17p at 208p.

At the same time, it announced that pre-tax profits for the year to September 30 would be in line with expectations at not less than £14.5m (£11.1m) and that earnings would be at least 20p (20.3p).

It also said that, while the textiles division remained in the black – operating profits for the six months to March 31 were £326,000 (£298,000) on turnover of £13.3m (£12.3m) – the division was no longer central and would be sold.

In July 1993, the group acquired the flexible packaging businesses of Courtaulds for £78m, funded in part by a £53m rights issue at 275p. Mr Digby Morrow, chief executive, said that "more than half of the current expenditure needed for the division could not have been foreseen at the time of the acquisition".

Mr Morrow said the division, while "exceeding expectations", had "pressing requirements". He did not want to get to the position where customers could be disappointed. Behind the cash call, he said, lay the need to provide a pan-European service, called Tranflex, operated in partnership with the customer.

This "partnering" involved standardisation of product quality across the plants in the UK, the Netherlands, France and Spain. At the same time the cost base needed to be reduced, said Mr Morrow, via reorganisation and upgrading of production facilities.

While the rights is raising some £24m, the group will have access to a total of £36m, thanks to a £12m additional borrowing capacity. Reorganisation will use up £15m; support for customers – particularly a greenfield investment "for an existing blue chip customer's expansion" – will take £9m; about £5m will be invested in the French and Spanish plants; and some £3m will go on another production line in Bristol.

The initial effect of the rights issue will be to reduce gearing, which stood at 73 per cent at the half-way point. Morgan Grenfell are the underwriters and Cazenove the brokers.

Recovery in rental levels behind Town Centre advance

By Christopher Price

A recovery in rental levels helped Town Centre Securities, the Leeds-based property group, report a 9 per cent rise in annual profits to £8.81m.

Mr Edward Ziff, chairman, said the company had increased its purchases in the retail market to take advantage of the rise, although this had so far been limited to the top end of the market. "The prime retail market is stronger than its ever been in terms of rental value and incentives to let are being withdrawn at a rate of knots," he said.

An internal property valuation showed values increased by 11 per cent and helped net asset valne per share rise 20 per cent to 150.63p (125.18p), and by 21 per cent to 148.98p (123.07p) on a diluted basis.

The shares gained 5p to 122p yesterday.

The freehold proportion of the group's investments jumped from 66 to 96 per cent following the purchase of the freeholds on the Merrion Centre in Leeds and s smaller site in Wakefield, West Yorkshire. These boosted tha group's investment expenditure from £10m to £15m for the year.

Mr Ziff said that secondary retail sites were still not showing any signs of rental growth. "Rent review activity is very tough in those areas," he said.

The pre-tax figure was slightly ahead of most forecasts and prompted analysts to generally move their profit forecasts for 1994-95 ahead slightly. The average moved from about £8.5m to upwards of £9m, with a net asset value of about 170p.

Gross revenue for the year to June 30 rose 10 per cent to £20m (£18.2m). The tax charge declined from £2.4m to £1.89m, leaving earnings per share ahead 19 per cent to 6.75p (5.65p). The dividend is increased from 3.4p to 3.8p, with a final of 2.8p.

A 1-for-4 scrip issue was also announced.

Further defence likely from Attwoods

By Peggy Hollinger

Attwoods, the waste services company fighting a hostile £364m bid from Browning-Ferris Industries of the US, is expected to publish a second defence document towards the end of next week.

Much could depend on this document, with US investors expecting to take a firm view on the offer after its publication. "At this stage, the question is will Attwoods be able to put enough arguments in the second document or give a profits forecast to keep investors in the shares", one shareholder said.

The document is likely to inclnde further details on prospects for 1995 and indications on tbe value of Attwoods' assets and business.

A third document, wbich could include its first quarter results, is also expected before November 11. This is the last date for publication of new financial information and should reinforce earlier indications on 1995 profits.

This could pot BFI under increased pressure to raise its bid, following Attwoods' results last week which showed improvements in core operations. Institutions are believed to want either an increase, or an equity alternative. An equity option is unlikely, however, given the effect on BFI's earnings.

BFI is offering 109p in cash and has received acceptance from Attwoods' 29.8 per cent shareholder, Laidlaw of Canada. A further 25 per cent is held by two institutions in the US, Fidelity and Templeton Investments. Fidelity has recently rednced its stake from almost 14 per cent to less than 12 per cent.

Mr Ken Foreman, Attwoods' chief executive, is due to begin a round of presentations in the US today. He will argue the bid undervalues his company.

It is already clear that institutions accept BFI's argument that future growth will come through providing integrated waste services.

Scantronic raises £2.8m

Scantronic Holdings, the security components company, is raising a total of £2.8m net in new equity and borrowings following agreement from its shareholders st an extraordinary meeting.

About £1.2m is being raised through s placing and open offer of 16.1m new ordinary shares at 10p each while a further £1.6m will be provided by additional bank facilities. The proceeds would provide sufficient working capital for the group's current needs, the directors said.

They also announced that there would be pre-tax losses of abont £2.4m for the half year to September 30 after an exceptional £1.7m reflecting the costs of the revised bank facilities and recent reorganisation of the group's operations. Profits last time were £1.4m restated.

Losses per share are expected at 7.71p (1.4p earnings).

The directors do not expect to make any dividend payments, including preference dividends, for this year.

Boardroom shake-up at Arcon

By Kenneth Gooding, Mining Correspondent

A boardroom row at Arcon International Resources, the Irish company in which Mr Tony O'Reilly, chairman of Heinz Foods, has a 23 per cent stake, has resulted in the resignation of Mr Richard Conroy as chairman and chief executive.

Mr James Jones, director responsible for finance, and Ms Maureen Jones, responsible for administration and management, have also given up their executive functions but, like Mr Conroy, who founded Arcon, are staying on the board.

Arcon said that it had been informed by the three directors "of their declared inability to carry out their respective executive functions as, in their opinion, the company had unilaterally and wrongfully repudiated their contracts."

Mr Conroy said last night that for the past 2¼ years his executive functions were gradually eroded "until it became a nonsense. In practice we were not observing any serious executive function." He said he would consult his lawyers but "I don't wish to harm the company I founded."

Mr Brendan Gilmore, who has been appointed chairman and chief executive, said he did not know why the directors had taken this action. "We refute totally any allegations of constructive dismissal."

He said the one contentious issue between Arcon and Mr Conroy was the private company he set up last year and whether it was to become an exploration company. If it was, there would have been a possible conflict of interest.

Mr Gilmore said Arcon was at an exciting and strenuous stage, and, once the directors announced last week they had given up their executive roles, the gaps had to be filled immediately. Mr Tony O'Reilly Jnr has been appointed deputy chief executive, Mr Gilmore's previous role.

Arcon is preparing to start a $65m (£41m) lead-zinc mine at Galmoy in County Kilkenny, Ireland's first new base metals mine for 20 years. With his associates, Mr O'Reilly controls 29.9 per cent of the company while Outokumpo, the state-owned Finnish resources group, owns 21.6 per cent. Mr Conroy, with associates and family, owns about 5 per cent.

Mr O'Reilly moved into Arcon, then called Conroy Petroleum, when it acquired his Atlantic Resources for £7.7m in 1992. Mr Conroy is also a professor at the Royal College of Surgeons in Dublin and an Irish Senator.

Why Walker has changed horses

John Gapper on the banker who is leaving Lloyds for Morgan Stanley

Sir David Walker did not look a disappointed man yesterday.

This was despite having apparently forsaken the opportunity to chair Britain's most successful bank, and a leading FT-SE 100 index company, for the sort of role at a US investment bank that is usually more ambassadorial than powerful.

Sir David'a decision to become executive chairman of Morgan Stanley in Enrope rather than wait for the apparent certainty that he would succeed Sir Robin Ibbs at Lloyds Bank raises fresh questions for Lloyds.

The bank now has to find both a new chairman and chief executive – to replace Sir Brian Pitman – in the next two years.

Yet it also appeared enigmatic for Sir David himself.

Most European chairmen of US investmant banks have been non-executives appointed to bring City contacts and act as figureheads. Is that the role for someone who describes himself as being "reasonably creative" and having "hoge energy"?

Sir David's answer is an emphatic "yes" on two grounds.

One is the nature of his role at Lloyds, where he thought his job would be "more executive than is the case" when he arrived in July 1992. It then seemed that he was being groomed for a rapid elevation, with Sir Robin as a caretaker.

But Sir Robin, a former executive director of ICI and head of Lady Thatcher's cabinet office "think tank" from 1980 to 1982, now appears to be rather enjoying himself at Lloyds. He has indicated that he would prefer to hang on to the reins until the annual meeting after his 70th birthday.

The second reason is the nature of the role he is being offered at Morgan Stanley. At 54, the former chairman of the Securities and Investments Board, the City regulator, says be could be non-executive chairman of a FT-SE 100 company "in six or seven years' time, if I want that" but has more active ambitions now.

Sir David admits that the European chairman of a US investment bank is normally "an introducer or a pnblic affairs chap". But his job will be as executive chairman of European operations. He will also be a member of the New York board of directors that runs Morgan Stanley throughout the world.

Morgan Stanley needs such a role as a result of its rapid growth in the past two years. It generated $1.25bn (£790m) of revenues in Europe last year, and if its rate of expansion continues it could produce more revenue from Europe than the US by the turn of the century.

The firm already employs Mr Francis Maude, the former UK cabinet minister as managing director of global privatisation work.

Lord Richardson of Duntisbourne, the former governor of the Bank of England, is also a member of the international advisory board based in its Canary Wharf offices.

Executive responsibility for Europe is split between its joint chief executives, Mr Steven Ward and Mr Stephen Waters. Mr Waters said yesterday that it would "probably become a triumvirate rather than a duet" once Sir David had worked his way in and understood tbe firm's activities.

Mr Waters, who takes particular responsibility for mergers and acquisitions work and equities, said the firm "obviously wanted a senior figure who knew his way around the City", and hoped to boost its presence in the domestic UK market to the level achieved in some continental European markets.

Sir David argues that his role at Morgan Stanley will be one of "collaborating, helping, coaxing and contributing," as well as helping to decide how the firm should allocate capital in Europe. Its rate of growth means that there are competing claims among different country operations.

He emphasises that as the only employee of the firm in London without functional responsibility, he will have a role in arbitrating between businesses. "One of the challenges is to ensure that people in business units do not become so entrenched that we miss synergies," he says.

Nonetheless, Sir David's move is likely to reduce his previous visibility as a senior City figure, given the roots of his new employer on Wall Street. Morgan Stanley's European growth will have to live up to expectations to compensate for what he is sacrificing at Lloyds.

Laporte aims to fill gap with Perchem deal

By Tim Burt

Laporte, tha speciality chemicals group, yesterday said it was discussing with Akzo Nobel the possible acquisition of the Dntch-based group's Perchem business.

The UK group wants to add Akzo Nobel's small UK subsidiary to fill a gap in its chemical production. Perchem manufactures so-called organoclays – absorbent products with applications ranging from adhesiveness in paints and inks to liquid clarification.

"The purchase price will probably be in the low millions," Laporte said.

Although the details have yet to be finalised, the company yesterday received clearance from the department of trade and industry to pursue the deal. "Negotiations are therefore continuing with a view to a very early completion," the company added.

The move follows the merger last year of Akzo of the Netherlands with Nobel Industries, the Swedish chemicals group.

Since then, the group has divested from some non-core areas and concentrated on coatings, chemicals and pharmaceuticals.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Barry Birch §	int	1.8	Dec 2	2.1	-	5.4
Boot (Henry)	int	1.85	Nov 18	1.7	-	6.5
Hong Kong Inv	fin	1.1	Nov 30	1	1.85	1.75
Ldn & Strthclyde	fin	4.25	Dec 30	4.25	5.75	5.75
Peterson Zoch	fin	11.4	Dec 5	10.25	13.85	12.6
Riv & Merc Extra	fin	1.969	Dec 2	1.969	7.875	7.875
SB	int	3‡	Jan 17	2.553	-	10.9
Town Centre	fin	2.8	Jan 8	2.3	3.8	3.4

Dividends shown pence per share net except where otherwise stated. §USM stock. ‡Third quarterly making 9p to date.

NEWS IN BRIEF

CARD CLEAR, the credit card frand prevention company, has acquired its competitor Cardinal Data. Consideration was 907,500 1p shares, being 3 Card Clear shares for 2 Cardinal Data shares, and an inter-company loan of £109,000.

HEALTHCALL GROUP is paying £127,500 cash for 51 per cent of Sheffield and Rotherham Nursing, which provides nursing staff to industrial, hospital, nursing home in South Yorkshire. And options exist whereby Healthcall could acquire the remaining shares for £122,500 in three years.

COMMODITIES AND AGRICULTURE

Record western lead and zinc demand forecast

By Kenneth Gooding, Mining Correspondent

Demand for both lead and zinc in the western world will reach record levels this year and rise again in 1995, helping to bring the markets back into balance gradually next year.

This optimistic message comes from the International Lead and Zinc Study Group, an intergovernmental organisation with members from 30 countries, which has been meeting in Vienna.

It says demand for the two metals will continue to be driven by strong growth in the US and a recovery in Europe. Zinc demand in Europe next year is forecast to reach 2m tonnes, a level not seen since 1991. But little change is expected in Japan.

However, the group said the outlook for lead was the more positive and added that it recognised "that the stocks of zinc in London Metal Exchange warehouses currently exceed 1.2m tonnes or 10 weeks of consumption". Production from zinc mines is therefore expected to fall again this year – by 2 per cent to 5.13m tonnes – after an 8 per cent drop in 1993. But zinc mine output is then expected to rebound, by 5 per cent, in 1995 as production is increased in Australia and Canada.

Exports, notably from China where zinc output rose substantially last year – by 209,000 tonnes to 857,000 tonnes – will continue to plague western markets this year, according to the group, but are expected to be below the 380,000 tonnes seen in 1993.

Zinc consumption is forecast to rise by 4 per cent to 5.76m tonnes this year and by a further 3.6 per cent to 5.97m tonnes in 1995. Zinc metal production is expected to be up by 1 per cent to 5.38m tonnes and by another 1.5 per cent to 5.45m tonnes in 1995.

The group says former eastern bloc countries are providing accurate data on their lead and zinc industries. It forecasts zinc metal output in these countries will be about 1.61m tonnes this year and next, "depending on trends in the CIS", while consumption in both years will reach 960,000 tonnes.

Lead metal production in the former eastern bloc will be about 900,000 tonnes in 1994 and 1995, according to the group, while consumption will be 590,000 tonnes. In the western countries, lead consumption this year is forecast to grow by 5 per cent to 4.72m tonnes. Lead metal output is expected to rise by 3 per cent to 4.55m tonnes, most of which will be recycled metal. But about 2m will come from mines. Next year consumption is forecast to rise by 2 per cent to 4.83m tonnes, while metal production is expected to go up by 2 per cent to 4.65m tonnes, including 2.03m tonnes from mines.

Lead exports from eastern Europe are expected to remain "substantial" this year but might decrease in 1995.

MARKET REPORT

Coffee still on roller-coaster

By Alison Maitland

Coffee futures trading continued its roller-coaster course in London and New York yesterday as nervous traders betrayed their uncertainty about which way the market is heading.

Robusta futures in London surged by $272 to a day's peak of $3,760 following strong gains in late trading in New York on Monday. But New York lost its nerve yesterday, leaving the January contract in London still up $177 on the day at $3,665 a tonne, but close to the day's low of $3,660.

"It was purely speculative buying," said one trader. "The funds had gone short and they were forced to cover on the back of the potential problems caused by the drought in Brazil."

The London market initially fell sharply on Monday following reports of light rainfall in coffee-growing regions of Brazil. This was seen as relieving the drought, which is expected to exacerbate next year's coffee shortfall caused by two severe frosts in June and July. However, a report from an independent US weather forecaster saying the drought was worse than the last serious one in 1985 helped to fuel the rebound in New York and London.

"It's a very, very nervous market," said the trader. "Nobody can put a firm figure on what the crop will be."

In afternoon trading in New York, second position arabica futures were down 5.05 cents yesterday at 203 cents a pound.

● On the London Metal Exchange copper prices recovered from Monday's fall and traders said there was still good support at $2,480 a tonne, Reuter reports.

Three-month copper went to $2,490 before easing back to close up $12 at $2,488.50.

A further 23,000 tonnes fall in aluminium stocks helped lift the price but resistance held at $1,740 a tonne. Aluminium closed up $16.75 at $1,732.25.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-23,800	to 2,165,700
Aluminium alloy	unchgd	at 25,620
Copper	+1,700	to 338,800
Lead	+700	to 369,475
Nickel	+414	to 147,186
Zinc	+4,250	to 1,239,350
Tin	-185	to 31,456

EU urged to reduce sugar beet production

By Alison Maitland

The European Union should seize the opportunity of forthcoming reforms of the sugar regime to cut beet output and help competing cane producers in developing nations, according to a London-based development agency.

The Catholic Institute for International Relations said in a report* on the regime that the millions of tonnes of subsidised sugar the EU exported each year depressed world prices and deprived producers in developing countries of badly-needed foreign exchange.

It urged the EU to phase out price support for beet production that exceeds domestic demand, compensating farmers for loss of revenue through other payments, for example linked to environmentally-friendly farming. The European Commission is due to unveil proposals for regime's reform in the next few weeks.

The charity said that the Uruguay Round trade deal driving the reforms would do little to raise world prices and help developing nations. A fall in EU sugar exports of about 250,000 tonnes at most would be "a drop in the ocean" compared with its exports of 5.7m tonnes last year and would unlikely raise world prices by more than 0.5 per cent. But cuts in EU support prices triggered by the Gatt requirement to reduce subsidised exports would have a disproportionate impact on former colonies which have preferential trade agreements with the EU under the Lomé convention. "For the high-cost ACP producers of the Caribbean, even a small price fall would have serious consequences," it said.

Sugar: Europe's bittersweet policies. Available from CIIR, Unit 3, Canonbury Yard, 190a New North Road, London N1 7BJ.

US launches investigation of EU banana marketing regime

By Nancy Dunne in Washington

The US is the latest combatant to enter the EU banana wars, claiming discrimination against US bananas.

"American banana marketing companies should be able to compete on a fair basis in the European market, just as European firms can here," says Mr Mickey Kantor, the US trade representative, who has launched an investigation of EU banana marketing practices under Section 301 of US trade law.

Kantor is also considering an investigation of the EU "Framework Agreement on Bananas" reached with Costa Rica, Colombia, Nicaragua and Venezuela. The framework accord was negotiated as a result of a complaint filed by the Latin American producers under the General Agreement on Tariffs and Trade.

After a dispute settlement panel ruled against the EU, the Community agreed to modify its banana import regime which gave special access to former colonies in the Caribbean, Africa and the Pacific. It granted the four Latin American countries specific quotas based on their past share of the market, within an overall ceiling of 2.1m tonnes from Latin America.

Kantor said the framework permits the governments of Costa Rica, Colombia, Nicaragua and Venezuela to impose "in a discriminatory manner, export quotas and licenses on US banana marketing and distribution companies". In addition, it does not address the import licensing provisions of the EU-wide banana regime, agreed in July 1993.

Mr Kantor said he would not file a formal complaint against the framework until it is implemented. The regime is also under threat from Germany, which argues that it discriminates against its traditional suppliers in Latin America. Bonn has taken two cases challenging the quota system to the European Court. Kantor called on Latin American governments to work with the US in seeking reform of the EU's banana policy. But he threatened an investigation if any of the governments implements the framework pact "or takes alternative steps that appear to be unreasonable, unjustifiable and discriminatory against US companies".

Section 301 allows US companies – in this case Chiquita Brands International and the Hawaiian Banana Industry Association – to ask the US government's help in gaining relief from "unfair trade practices".

A storm brewing in the Caribbean

Canute James on banana exporters' fears about EU market access

Caribbean banana exporters are relieved at the European Court's rejection of a German challenge to the European Union's controversial banana import regime, but they remain concerned about possible attacks on their preferential access to the lucrative EU market.

The fears are based on expected challenges to the EU regime from some Latin American producers; a better chance of success for these challenges under new rules at the World Trade Organisation which succeeds the General Agreement on Tariffs and Trade next year, and the position of influential countries, such as the US, which oppose the regulation of trade on which the EU's banana import regime is based.

"The ruling by the European Court is a positive sign and has brought the Caribbean industry some relief," says Mr Marshall Hall, chief executive of the Producers' Group, which markets Jamaican fruit. "But there is danger on the horizon with Latin American producers, Germany and the United States still trying to get the Gatt solution implemented."

Mr Byron Blake, assistant secretary general of the Caribbean Community (Caricom), a grouping of all Caribbean regional producers except Surinam, agrees that there are "some daggers still pointed at the heart of the Caribbean's banana sector".

One of these is a German legal challenge to an agreement reached in March between the EU and several Latin American producers to allow tariff-free imports of 2.1m tonnes a year of Latin fruit.

"The fact that the European Court has rejected the challenge to the import regime would suggest that this other challenge to the EU-Latin American deal will be treated similarly," said Mr Blake. "But we would be well advised not to make any such assumptions."

The EU's banana import regime, which was implemented 15 months ago, imposes the quota for Latin American fruit. Suppliers from the Caribbean, Africa and Pacific region have access to the remainder of the EU's needs of about 1.5m tonnes per year, tariff-free.

The industry's administrators in the Windward Islands, the source of about two thirds of the bananas imported by Britain, say they are worried about a lobby mounted by US companies which farm bananas in Latin America to maintain the US government's challenge of the EU banana import regime.

One St Lucian official said: "The lobby being mounted by these large, multinational fruit companies, which control the lion's share of the world's banana trade, will strengthen the US resolve to attack our access to the EU market."

Caribbean producers feel most threatened, however, by the planned changes in the way complaints about trade will be treated when the WTO is established. Following complaints by Latin American producers, Gatt panels twice ruled that the EU's import regime was unfair. However, neither ruling was adopted as they did not have the necessary consensus among members. Under the WTO, a similar ruling by a panel will be considered adopted unless there is consensus among members that it should not be. Guatemala, which did not agree to the new quotas for Latin producers, has already indicated that it will make an early complaint to the WTO.

Caribbean banana exporters are aware that the new trade rules will force them to compete with other producers on the same terms. The necessity to cut production costs is accepted, but difficult to implement, according to the industry's administrators. Small producers on the islands cannot hope to enjoy the economies of scale of the Latin American multinationals.

"There will have to be a change in the relationship between producers, administrators and those who market the fruit," says Mr Blake.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1713-14	1732-32.5
Previous	1698.5-9.5	1715-6
High/low		1740/1725
AM Official	1716.5-17.5	1735.5-36.0
Kerb close		1728-9
Open int.	258,910	
Total daily turnover	70,769	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1700-10	1735-40
Previous	1685-95	1715-20
High/low		1740/1730
AM Official	1697-700	1730-35
Kerb close		1735-40
Open int.	3,085	
Total daily turnover	571	

■ LEAD ($ per tonne)

Close	643.5-44.5	655-56
Previous	640-1	651-2
High/low	643.5	656.5/650.5
AM Official	643.5-44.0	654.5-55.5
Kerb close		656-6.5
Open int.	42,782	
Total daily turnover	8,063	

■ NICKEL ($ per tonne)

Close	6580-90	6685-95
Previous	6555-60	6665-6
High/low	6560	6710/6650
AM Official	6560-65	6669-70
Kerb close		6685-90
Open int.	75,745	
Total daily turnover	12,318	

■ TIN ($ per tonne)

Close	5390-400	5475-80
Previous	5380-5	5460-5
High/low	5395	5490/5465
AM Official	5390-95	5465-70
Kerb close		5480-90
Open int.	15,478	
Total daily turnover	2,790	

■ ZINC, special high grade ($ per tonne)

Close	1054-55	1074-75
Previous	1053.5-4.5	1073.5-74.0
High/low		1078/1067
AM Official	1050-51	1070.5-71.0
Kerb close		1073-4
Open int.	102,485	
Total daily turnover	21,400	

■ COPPER, grade A ($ per tonne)

Close	2485.5-86.5	2488-89
Previous	2481-2	2476-7
High/low	2478	2494/2477
AM Official	2477-78	2479.5-80.5
Kerb close		2489-90
Open int.	215,781	
Total daily turnover	111,847	

■ LME AM Official £/$ rate: 1.6140
LME Closing £/$ rate: 1.6140

Spot:1.6130 3 mths:1.6116 6 mths:1.6089 9 mths:1.6053

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Oct	117.15	+0.45	117.40	116.40	1,794	223
Nov	115.20	+0.65	114.90	113.90	1,391	6
Dec	114.60	+0.85	114.80	113.20	39,285	7,806
Jan	114.25	+0.95	-	-	867	23
Feb	113.90	+1.15	-	-	504	7
Mar	113.45	+1.10	113.60	112.20	8,033	521
Total					61,259	8,412

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	389.30-389.70	
Opening	390.20-390.60	
Morning fix	390.00	242.071
Afternoon fix	389.75	241.406
Day's High	390.20-390.60	
Day's Low	389.30-389.70	
Previous close	389.00-389.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.56 6 months 4.84
2 months ....4.63 12 months 5.29
3 months 4.78

Silver Fix	p/troy oz.	US cts equiv.
Spot	336.05	541.35
3 months	340.95	548.80
6 months	346.15	556.25
1 year	358.65	573.45

Gold Coins	$ price	£ equiv.
Krugerrand	392-395	244-247
Maple Leaf	400.10-402.65	
New Sovereign	91-94	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	389.1	-0.7	-	-	60	29
Nov	389.8	-0.8	-	-	-	-

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	104.80	-	104.80	104.00	1,732	96
Jan	106.60	-	106.65	106.20	1,960	63

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	939	-	945	934	22,314	854
Mar	971	-2	978	966	42,971	2,268

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	86.775	-0.700	87.475	86.500	3,506	1,998
Dec	88.400	-0.350	89.125	88.350	29,408	6,234

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lb)

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ OTHER

CROSSWORD

No.8,588 Set by DANTE

ACROSS
1 Row results from wearing an underwired bra (4-2)
4 N.C.O. arranged battle course (8)
9 Behold, two articles to dislike (6)
10 Noise – of a dropped brick? (8)
12 Poor clot breaks the rules of etiquette (8)
13 Hunger is sharp about morning (6)
15 Trotsky came back for the festival (4)
16 Alcoholic daze? (6,4)
19 Law-breakers may be carried away by it (6,5)
20 Not the gardener's favourite little number (4)
23 A great number not related (6)
25 Stop when the standard is low (4,4)
27 It can't be shared with others (6)
28 Swindle uncovered in the courts (6)
29 Mountaineer has an inclination to swallow a peg (8)
30 Remained, having support (6)

DOWN
1 Today's most popular writer (7)
2 Flattery works with neighbours, we hear (4,5)
3 Open an eye? (6)
5 Well-produced paintings? (4)
6 But he's an odd sort to get tanned (8)
7 I wander up to the New Zealander (5)
8 Listener heads home in determined mood (7)
11 Garment finally put on by a painter (7)
14 Sedately, the way Lydia did the twist (7)
17 Chill wine with ends of the turkey and cold game (3,6)
18 Sort of key found in a cupboard (6)
19 It's deeply opposed to the devil (4,3)
21 Gave a fellow the wrong date (7)
22 Horrified at being cut by jagged gash (6)
24 Kind of bulb to recommend about the middle of July (5)
26 The chances of racing (4)

Solution 8,587

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 3,100 mark lost again in nervous selling

By Terry Byland, UK Stock Market Editor

Renewed weakness in domestic bonds, together with a general nervousness towards the US dollar, drove the UK stock market well below the 3,100 mark on the FT-SE 100-share index yesterday. Fears that the next rise in base rates might come sooner than expected was prompted by a report from members of the Confederation of British Industry of a very sharp rise in retail sales last month. This morning brings the official retail sales statistics for September.

Trading volume remained poor and the closing picture was gloomy rather than threatening, with the pharmaceuticals sector depressed both by dollar sentiment and a fall in SmithKline Beecham following the third-quarter trading statement.

At the close, the FT-SE 100 showed a drop of 34.9 at 3,085.3, a few points above tha day's low. Equities were on the slide from the opening, but the losses in the blue chips were extended sharply when reports from Japan – quickly denied – suggested that US monetary policy would hold steady until the year-end, implying no further increase in key rates by the Federal Reserve.

In spite of the denials of the Tokyo reports, global markets remained cautious towards near-term prospects for the US currency.

The Dow Average, also reacting to trading results from leading names in the US banking and manufacturing industries, showed a fall of 12 points when London closed.

The UK equity market started the day a shade easier and then quickly fell away as both gilt-edged stocks and stock index futures gave ground. The latest Public Sector Borrowing Requirement figures and then the announcement that next waek's bond auction would be £2.5bn of 2000 stock left gilts easier at the close.

The trading statement from SmithKline Beecham would have gone down well but for the disclosure that sales of Tagamet, its high selling anti-ulcer drug, had fallen heavily after expiry of the US patent.

Patent expiry is a background worry for all pharmaceutical manufacturers and the implications of Tagamet's fortunes were not lost on Glaxo and other drug firms, which were already unhappy because of the worries over the dollar. Falls in these blue chip internationals affect the Footsie index significantly.

Activity in the big dollar-earning stocks helped to boost the day's Seaq volume total by nearly 15 per cent to 527.8m shares, but this was still a poor total by this year's daily averages. Traders confessed to an uninspiring session, with the stock market driven from the futures pits.

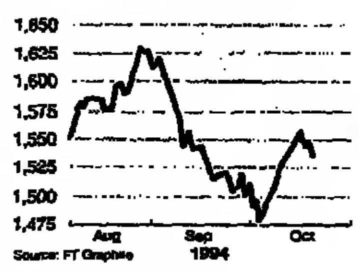
Business in second line or non-Footsie stocks made up about 64 per cent of the day's total, a higher proportion than seen recently. The FT-SE Mid 250 Index finished 15.7 off at 3,532.3.

Retail and consumer stocks chose to pay more heed to the market's fears of a base rate increase than to the CBI's indication that September's retail sales had risen at the highest rate for nearly a year. Most of the big retailer stocks were down at the close, albeit following modest turnover.

The stock market's mood of uncertainty was highlighted in the latest Economic and Monetary Review from Credit Lyonnais Securities. The review predicted that the cyclical growth peak may have already passed, with consumer spending in particular likely to remain disappointing; Credit Lyonnais sees the UK economy as likely to grow by only 2.5 per cent next year.

But the firm remains confident that UK equities "now offer fair value" and looks for 10 per cent upside by the end of the year, echoing many other forecasts from market analysts that the final quarter will see shares benefit from the increasing pace of economic recovery.

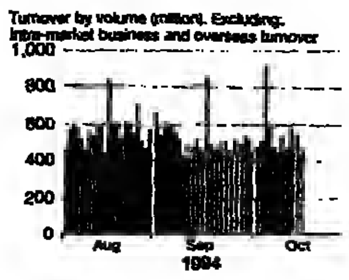
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3085.3	-34.9	FT Ordinary Index	2373.9	-26.5
FT-SE Mid 250	3532.3	-15.7	FT-SE-A Non Fins p/e	18.67	(19.05)
FT-SE-A 350	1547.9	-15.1	FT-SE 100 Fut Dec	3100.0	-40.6
FT-SE-A All-Share	1534.40	-14.05	10 yr Gilt yield	8.63	(8.56)
FT-SE-A All-Share yield	3.91	(3.87)	Long gilt/equity yld ratio:	2.21	(2.22)

Best performing sectors

1. Engineering, Vehicles ... +0.8
2. Household Goods ... +0.3
3. Leisure & Hotels ... +0.1
4. Life Assurance ... +0.5
5. Retailers, General ... -0.1

Worst performing sectors

1. Tobacco ... -2.1
2. Gas Distribution ... -1.8
3. Diversified Indls ... -1.6
4. Electronic & Elec Eqpt ... -1.6
5. Pharmaceuticals ... -1.5

Setback in drugs sector

Pharmaceuticals heavyweight Glaxo Holdings led the fall in dollar influenced stocks yesterday. The US currency's two-year low against sterling, combined with bearish sector-related data, saw Glaxo shares marked down 23 before rallying to close 16½ off at 598¾p after 5.4m traded.

The drop was accentuated by some slightly disappointing third-quarter figures from US leader Merck. Also, a sharp fall in US sales of SmithKline Beecham's ulcer drug Tagamet, highlighted in the group's third-quarter figures, had prompted fears that Glaxo's headline ulcer product Zantac could be facing stiff competition as well. However, it was pointed out that recent prescription data showed Zantac sales holding up well in the US.

SmithKline declined 6 to 429p, while anticipation that Cadbury Schweppes might buy its Ribena and Lucozade arm saw Cadbury firm a penny to 445p. Wellcome receded 9 to finish at 671p.

Enterprise hints

A generally weak oil sector, depressed by the recent slippage in oil prices as the Iraq/Kuwait border worries receded, was featured by a sudden bout of selling pressure in Enterprise Oil after rumours that it was about to launch an £800m-plus all-paper bid for Ampolex, the Australian oil group.

Enterprise said it never commented on market rumours but sources close to Enterprise described the story as "without foundation".

The stories swept the market in midsession. Enterprise shares opened around 385p but fell away to close a net 8 lower at 377p on unremarkable turnover of 1.5m. Oil specialists said a bid seemed unlikely but would fulfil many of the objectives evident when Enterprise unsuccessfully bid for Lasmo earlier this year, citing Ampol's strongly rising production profile and good assets.

British Petroleum fell 7⅛ to 414p on 6.6m traded, while Shell Transport receded 8 to 722p. Revived worries about British Gas's dividend policy, which were thought to have been laid to rest at the company's strategy meeting with analysts and institutions at the end of September, came back to haunt Gas shares, which relinquished 5½ at 286p.

APV active

APV, the food processing equipment group which took the market's breath away last month with a profits warning and a dividend cut, shed 1¼ to 72½p on 3.1m turnover following the resignation of Mr Clive Strowger, its chief executive.

The shares, 138p earlier this year, are now just 1½ above their 1994 low and on understandable tenterhooks ahead of the completion of an internal operating report due to be submitted to the management towards the end of next month.

Household products group Paterson Zochonis tumbled 51 to 438p as the group warned that future profits would be hit by problems in Nigeria.

Focus on the latest CBI survey of retail trades lay behind the moves of several stores stocks, with Boots, the chemists chain, turning around from being 5 up to show a net loss of 4 at 527p as it was reported that sales volume in the sector had fallen. But Lloyds Chemists was boosted by 8 to 321p as the company held presentations in London. At the other end of the scale, a boost in clothing and shoe sales lifted Sears 2 to 107½p.

Bank shares attracted heavy interest throughout the session, with NatWest Securities promoting a bull story in the sector by upgrading its stance to outperform and recommending the "lower rated domestic stocks" – National Westminster, TSB and Bank of Scotland – and shifting Abbey National from "reduce" to "hold".

NatWest bank ratings are at their lowest levels since the mid-1980s, the operating environment is improving and there is increasing scope for value to be passed to shareholders through increased dividends or share buy-backs.

TSB was the best performer of the group, moving up 2 to 220p, while Bank of Scotland settled 3 off at 205p and NatWest 6 lower at 501p.

Royal Bank of Scotland outpaced tha rest of the banking sector and was one of the best performers in the FT-SE 100 after buy recommendations from Credit Lyonnais Laing, the bank's own broker, and UBS. HSBC rallied strongly after the bout of selling pressure induced by the recent weakness of the dollar. Dealers noted heavy switching from the Hong Kong-registered stock to the UK-registered stock, where the spread came in from around 22p to 5p, the narrowest margin for around six months.

There were some hefty losses across the board in the "recs", with the market reacting to suggestions that a big switch programme, involving big blocks of most of the "recs", was about to be activated, with one big institution looking to move large sums into gilts.

Property group Artesian Estates, part of the Business Expansion Schems and introduced by broker Peel Hunt, closed at 71p in first day dealings.

P&O, which has had a strong run since the middle of last week, ran out of steam yesterday following a negative move by James Capel, which switched its stance from "hold" to "sell" and pushed the shares down 23 to 615p in 4.1m turnover.

The stock now looks to be subject to a significant two-way pull, with UBS and Panmure Gordon known to favour P&O, which with debt gearing roughly double the Footsie average is looked upon as an interest rate-sensitive play.

British Aerospace, up 28 on Monday on speculation that GEC was teeing up a takeover bid, retreated 14 to 484p in spite of the fact that the marketplace continued to place some store in the rumour. GEC slipped 6 to 289p.

BAe has made an agreed all-share offer worth 1335p for submarines group VSEL, a deal that has flushed out GEC has a declared potential counter-bidder. The feeling in the market is that GEC could comfortably leap-frog this situation and aim straight for BAe. VSEL eased 8 to 1315p.

Europe's largest aircraft and passenger handling group, Servisair, held its ground on the first day of share trading in London. Sixty per cent of the shares were floated at 135p apiece by Securum, the Swedish asset management group.

The stock began trading at a 3p premium and closed unchanged at 138p.

Carlton Communications added 3 at 844p as Goldman Sachs published a note pointing out the short term value in the stock.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Jeffrey Brown.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (17).
DIVERSIFIED INDLS (1) Whatcroft, ELECTRNC & ELECT EQUP (1) Ericsson (L.M.), ENG, VEHICLES (1) Arrow Streamlines, EXTRACTIVE INDS (2) FOOD MANUF (1) CPL Aromas, INVESTMENT COMPANIES (1) General Oriental, LEISURE & HOTELS (2) David Lloyd, VCI, LIFE ASSURANCE (1) Liberty Life Assoc. of Africa, MEDIA (1) Yorkshire Tyne-Tees TV, PHARMACEUTICALS (2) Astra B, Brit Biotech, PRTNG, PAPER & PACKG (1) Sappi, TRANSPORT (2) GRT Bus, Stagecoach, SOUTH AFRICANS (1) SASOL.
NEW LOWS (74).
BANKS (1) Mitsubishi, BUILDING & CNSTRN (1) BB & EA, BLDG MATLS & MCHTS (5) Bardon, Dyson (J. & J.), Do. A, Haywood Williams, Tilon, CHEMICALS (1) Hickson Intl., DISTRIBUTORS (4) Bletchley Motor, Lex Service, Perry, Ross, DIVERSIFIED INDLS (1) BTR Nylex, ELECTRNC & ELECT EQUP (1) Johnson Electric, ENGINEERING (5) Hunting, ML, Neotronics Tech, Prospect Inds., Whatman, EXTRACTIVE INDS (4) HEALTH CARE (1) Teppel Life Sciences, HOUSEHOLD GOODS (2) Paterson Zochonis, Do. A N/V, INSURANCE (1) American Gen, INVESTMENT TRUSTS (3) River & Merc Ex Inc, Scottish Value, Sphere Inc., INVESTMENT COMPANIES (5) LEISURE & HOTELS (3) Brunswick Aggregates, Prism Leisure, Sinclair (Wm.), LIFE ASSURANCE (1) Lincoln Natl, MEDIA (3) Hodder Headline, Portsmouth & Sunderland, WMGO, MERCHANT BANKS (1) Whitrust, OIL EXPLORATION & PROD (4) Enterprise, North Sea Assets, Oceonics, Pittencrieff Res, OTHER FINANCIAL (1) Berry, Birch & Noble, PHARMACEUTICALS (1) Grampian, PRTNG, PAPER & PACKG (8) API, Bemrose, Brit. Thornton, Britton, Dolphin Pack, Lawson Mardon, Plytu, Sidlaw, PROPERTY (3) Chesterfield, Cleveland Trust, Property Trust (PVT), RETAILERS, FOOD (1) Dairy Farm, RETAILERS, GENERAL (2) Cartons, Flying Flowers, SUPPORT SERVS (3) Autoted Sec., Macro 4, McDonnell Info, TEXTILES & APPAREL (3) Castle Mill, Parkland, TRANSPORT (3) Eurotunnel Units, Mayne Nickless, Vard, AMERICANS (3).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved lower on improved turnover, but traders continued to describe the market as oscillating with little real idea of direction, *writes Jeffrey Brown.*

The FT-SE 100 December contract fell to 3,090 in the last hour of trading but had clawed back to 3,100 at the 4.10pm official close, down 40 on the day. At this level the premium to the cash market was 17 points, with the fair value premium around 13 points.

Trading volume was healthier than on Monday, increasing to 13,429 contracts from 11,811 in the previous session.

Although there were occasional flashes of institutional activity, the quality of business remained low and the December contract seldom met with any real weight of selling.

Traders said the recent glimmer of institutional interest was encouraging. The current, final quarter of the year is traditionally an active one for institutions, they said. "What this market badly needs is a genuine improvement in the quality of business," one commented.

Stock options business also improved, rising to 26,685 contracts from Monday's 22,778. FT-SE and Euro FT-SE trading accounted for 18,136 lots. Among individual options, Guinness was the most activa at 1,322 lots dealt, followed by J. Sainsbury (1,017 lots) and Glaxo (837).

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3137.0	3100.0	-40.0	3137.0	3090.0	14297	56314
Mar		3123.0	-40.0			0	3766

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £16 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3550.0	3550.0	-20.0	3560.0	3550.0	20	4224

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3550.6	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3083) £16 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Oct	187½	1	139	1	90	2	45	7½	12½	27	2	67	1	117	1	167
Nov	208	12	168	19	126½	29½	91	44½	62	66½	40	95	23½	130	13	171
Dec	225½	26½	187½	38½	152½	52	120	70½	89½	92	66	118½	45	148½	31½	185
Jan	248	39	212	53	178	66½	146	86½	116	107	92	133	71	162½	59½	196
Jun†	309½	76			245	110			186	150			141	205		

Calls 5,956 Puts 7,479

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £16 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Oct	162	1	112½	1½	64½	3½	25	14	5	44	1½	90	1	139½	1	187
Nov	186	15	145½	24½	109½	38	78½	56½	52½	90	32½	110	19	146	10	187
Dec	209½	30	167	43½	139½	59	103	78½	77	101½	54½	129	36	159½	23	196½
Mar	255½	63			199	94½			133½	135½			89	188½		
Jun†	298½	85½			232½	117½			176	158½			128	205		

Calls 1,583 Puts 3,278 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £16 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Oct			143 67½	115 96	91 114½			

Calls 6 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	191	320	
ASDA Group†	2,100	63½	-1
Abbey National†	1,400	411	-4
Albert Fisher	392	47	+1
Allied Domecq†	719	593	-2
Anglian Water	133	537	-5
Argos	682	330	+9
Argyll Group†	2,800	267	+2
[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries Share Indices — The UK Series

	Oct 18	Day's chge%	Oct 17	Oct 14	Oct 13	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3085.3	-1.1	3120.2	3108.7	3141.8	3129.6	4.08	7.04	19.73	110.35	1170.49
FT-SE Mid 250	3532.3	-0.4	3548.0	3543.4	3556.6	3486.8	3.64	5.77	20.89	108.30	1318.69
FT-SE Mid 250 ex Inv Trusts	3526.1	-0.4	3541.9	3537.6	3550.1	3485.8	3.70	6.26	19.43	112.79	1313.71
FT-SE-A 350	1547.9	-1.0	1563.0	1557.4	1572.3	1560.7	3.96	6.75	17.67	53.58	1200.95
FT-SE SmallCap	1797.34	-0.2	1800.15	1798.13	1797.73	1792.11	3.28	4.92	25.49	46.09	1397.59
FT-SE SmallCap ex Inv Trusts	1765.46	-0.1	1767.86	1765.82	1764.55	1777.86	3.49	5.47	23.22	49.83	1376.96
FT-SE-A ALL-SHARE	1534.40	-0.9	1548.45	1543.11	1556.84	1545.92	3.91	6.62	17.97	52.28	1210.79

■ FT-SE Actuaries All-Share

	Oct 18	Day's chge%	Oct 17	Oct 14	Oct 13	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2716.98	-1.3	2753.36	2747.97	2769.40	2408.60	3.39	5.04	25.16	81.46	1093.53
12 Extractive Industries(4)	3974.92	-1.0	4013.97	3993.74	4048.52	3037.70	3.23	5.15	23.96	96.62	1096.65
15 Oil, Integrated(3)	2668.58	-1.4	2707.47	2704.43	2722.60	2390.40	3.53	5.63	22.16	85.60	1097.59
18 Oil Exploration & Prod(11)	1886.43	-0.9	1904.00	1897.52	1907.51	1995.70	2.20	‡	‡	39.03	1091.48
20 GEN MANUFACTURERS(267)	1884.55	-1.0	1903.74	1899.11	1913.53	1899.90	4.04	5.07	23.91	66.66	963.41
21 Building & Construction(33)	1057.48	-1.8	1071.57	1077.67	1081.21	1161.70	3.73	5.24	25.16	35.80	833.08
22 Building Matls & Merchs(32)	1838.36	-1.1	1859.42	1851.90	1858.83	1850.00	4.01	5.13	23.69	66.90	870.74
23 Chemicals(23)	2357.47	-0.4	2367.05	2327.77	2349.54	2226.10	3.93	4.38	28.56	79.59	1046.16
24 Diversified Industrials(18)	1790.74	-1.6	1819.90	1824.41	1840.41	1968.30	5.11	5.16	23.16	82.75	920.97
25 Electronic & Elect Equip(34)	1894.23	-1.6	1924.82	1920.75	1949.77	2129.80	3.98	6.65	17.39	60.85	928.06
26 Engineering(71)	1813.48	-0.8	1830.80	1823.11	1839.49	1668.90	3.13	4.91	24.06	49.78	1040.02
27 Engineering, Vehicles(12)	2279.35	+0.8	2260.72	2272.26	2277.16	1862.00	4.39	1.45	80.00†	92.54	1114.87
28 Printing, Paper & Pckg(26)	2781.04	-0.6	2802.66	2799.57	2809.24	2425.40	3.09	5.39	21.71	75.08	1098.13
29 Textiles & Apparel(20)	1628.36	-0.2	1631.77	1638.08	1638.55	1903.00	4.14	6.61	18.54	48.06	821.39
30 CONSUMER GOODS(97)	2758.72	-1.1	2790.25	2772.63	2790.69	2807.40	4.91	7.28	15.88	107.70	953.73
31 Breweries(17)	2202.66	-1.1	2228.28	2214.38	2236.37	2046.40	4.30	7.80	15.56	61.10	966.74
32 Spirits, Wines & Ciders(10)	2652.60	-0.9	2677.20	2652.81	2868.55	2651.40	3.91	6.81	16.90	101.23	960.16
33 Food Manufacturers(23)	2306.49	-0.5	2317.01	2300.42	2311.07	2339.40	4.21	7.62	15.27	84.99	973.15
34 Household Goods(13)	2422.44	+0.3	2416.12	2400.80	2388.89	2624.50	3.77	7.50	15.96	82.52	874.54
36 Health Care(21)	1624.94	-0.9	1639.93	1630.73	1620.04	1699.00	3.10	3.31	42.39	48.24	946.70
37 Pharmaceuticals(12)	3036.08	-1.8	3061.89	3070.31	3069.45	3252.10	4.34	7.05	16.41	125.18	971.43
38 Tobacco(1)	3775.09	-2.1	3854.79	3817.03	3833.81	3896.60	5.75	9.11	11.79	217.07	881.13
40 SERVICES(220)	1910.15	-0.5	1919.34	1913.80	1929.45	1891.16	3.16	6.39	18.85	51.56	939.73
41 Distributors(30)	2534.80	-1.1	2562.80	2556.98	2580.33	2806.50	3.70	7.24	16.33	82.89	931.84
42 Leisure & Hotels(25)	2084.97	+0.1	2082.26	2079.46	2086.29	1919.30	3.32	4.77	24.66	57.69	1030.63
43 Media(39)	2802.22	-0.9	2826.74	2827.92	2857.65	2566.30	2.48	5.36	21.77	68.42	975.02
44 Retailers, Food(16)	1710.13	-0.2	1713.49	1701.86	1730.79	1671.60	3.79	9.32	13.27	52.00	1024.12
45 Retailers, General(45)	1653.34	-0.1	1655.48	1644.34	1654.27	1691.90	3.19	6.58	18.86	44.23	895.42
48 Support Services(41)	1503.17	-0.4	1509.83	1509.47	1510.66	1635.90	2.80	6.43	18.35	35.92	816.32
49 Transport(16)	2240.35	-1.4	2272.42	2275.54	2295.89	2308.40	3.31	5.65	20.51	59.26	879.79
51 Other Services & Business(8)	1246.79	-0.3	1252.76	1258.10	1252.19	1221.20	3.76	3.76	38.19	25.82	1072.81
60 UTILITIES(36)	2398.24	-1.1	2425.70	2411.19	2450.07	2494.40	4.39	7.84	18.65	61.97	927.06
62 Electricity(17)	2428.64	-1.2	2459.45	2432.15	2473.96	2168.70	3.77	10.14	11.77	83.46	1010.06
64 Gas Distribution(2)	1899.39	-1.8	1934.57	1963.35	2011.33	2150.90	6.31	‡	‡	117.96	891.27
66 Telecommunications(4)	2061.99	-1.0	2083.30	2066.13	2099.10	2307.00	4.01	7.63	15.96	50.22	879.32
68 Water(13)	1880.63	-0.5	1890.33	1875.96	1886.23	1977.90	5.17	12.58	8.66	69.35	940.11
69 NON-FINANCIALS(698)	1658.28	-1.0	1674.42	1667.74	1691.32	1654.57	3.88	6.39	18.87	55.32	1175.44
70 FINANCIALS(104)	2165.95	-0.7	2182.13	2179.81	2209.53	2311.16	4.47	9.06	12.81	88.94	861.74
71 Banks(10)	2827.55	-0.9	2851.96	2845.58	2892.46	2853.70	4.27	10.08	11.36	116.39	850.12
73 Insurance(17)	1261.97	-0.7	1270.88	1269.22	1294.28	1466.80	5.38	6.33	12.26	59.08	869.85
74 Life Assurance(6)	2365.76	+0.1	2364.50	2363.07	2432.10	2772.20	5.40	7.66	15.47	127.82	915.58
75 Merchant Banks(6)	2723.93	-0.9	2749.04	2755.70	2757.06	3175.50	3.81	12.13	9.61	87.78	822.52
77 Other Financial(24)	1621.39	-0.7	1634.70	1637.02	1636.44	1822.60	3.96	8.58	13.94	63.31	976.83
79 Property(41)	1468.41	-0.8	1480.35	1483.17	1473.68	1696.10	4.13	4.32	29.17	43.62	841.15
80 INVESTMENT TRUSTS(124)	2768.30	-0.4	2778.43	2774.02	2789.08	2686.70	2.22	1.95	51.93	53.60	981.12
89 FT-SE-A ALL-SHARE(866)	1534.40	-0.9	1548.45	1543.11	1556.84	1545.92	3.91	6.62	17.97	52.28	1210.79

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3117.9	3108.1	3105.0	3097.2	3097.2	3098.3	3096.9	3085.4	3089.0	3117.8	3081.0
FT-SE Mid 250	3547.8	3543.1	3542.8	3538.9	3537.3	3538.5	3537.9	3532.9	3532.0	3547.8	3531.9
FT-SE-A 350	1562.1	1557.8	1556.6	1553.2	1553.1	1553.6	1553.0	1548.0	1547.0	1562.1	1546.3

Time of FT-SE 100 Day's high: 8.30am Day's low: 3.49pm. FT-SE 100 1994 High: 3520.3(2/2) Low: 2876.6 (24/6).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1006.2	1003.2	1001.1	998.0	995.7	995.7	995.1	992.7	990.2	990.5	1008.6	-18.1
Pharmaceuticls	3057.4	3034.5	3041.2	3031.7	3028.7	3027.8	3007.6	2993.3	3000.9	3009.3	3056.1	-46.8
Water	1882.2	1880.1	1885.7	1882.8	1881.2	1881.3	1881.5	1878.6	1876.6	1878.7	1888.5	-9.8
Banks	2878.5	2868.8	2868.1	2880.9	2885.5	2870.9	2873.6	2856.9	2858.4	2862.7	2887.4	-24.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.
† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	54	13
Other Fixed Interest	3	0	11
Mineral Extraction	42	70	84
General Manufacturers	59	184	394
Consumer Goods	27	65	95
Services	56	115	324
Utilities	10	24	11
Financials	41	127	197
Investment Trusts	40	115	316
Others	27	57	27
Totals	309	811	1468

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	October 18	Expiry	January 12
Last Dealings	October 21	Settlement	January 26

Calls: Assoc Brit Eng, Anglo Pacific, Aviva Pet, NHL Pref, Shelton (Martin), Tullow Oil, Willis Corroon. Puts & Calls: Aviva Pet, Waverley Mining.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	0.82	6½	4	APTA Wrnts.	9		-	-	-	-
-	F.P.	9.56	73	63	Artesian Ests.	71		-	-	-	-
§125	F.P.	17.1	130	112	Compel	112	-1	WN4.0	2.1	4.5	10.8
-	F.P.	1.30	1½	1	Cont'l Foods Wrts	1¼		-	-	-	-
-	F.P.	24.4	66	61	Emerging Mkts C	61		-	-	-	-
63	F.P.	12.2	68	65	Ennemix	67		RN0.71	5.3	1.3	8.4
115	F.P.	39.1	126	116	Games Workshop	126		RN4.6	2.2	4.6	11.9
-	F.P.	2.49	35	30	Group Dv Cap Wts	30	-2	-	-	-	-
-	F.P.	30.5	62	60	Hambros Sm Asian	61	-1	-	-	-	-
-	F.P.	2.90	30	28	Do Warrants	29	-1	-	-	-	-
180	F.P.	17.4	195	179	Mackie Intl	181		RN5.0	2.2	4.1	7.4
180	F.P.	442.0	181	170	Man ED & F	172	-1	RN8.6	1.6	6.2	9.5
135	F.P.	56.5	138	136	Servisair	138		RN3.8	1.3	3.4	22.4
-	F.P.	113.8	379	360	Templeton E New	368		-	-	-	-
-	F.P.	11.9	212	189	Do. Wrts. 2004	192		-	-	-	-
-	F.P.	28.3	350	340	Wrexham Water	340		-	-	-	-
-	F.P.	4.81	330	325	Do. NV	325		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
17	Nil	2/12	2pm	½pm	APTA Health	½pm	
116	Nil	28/11	20pm	13pm	Cattles	13pm	-2
Ir4p	Nil	25/11	¼pm	¼pm	Dragon Oil	¼pm	
500	Nil	18/16	60pm	24pm	Reckitt & Colman	60pm	
Ir330p	Nil	29/11	59pm	54pm	Smurfit (J)	54pm	-3
75	Nil	14/11	5pm	3pm	World of Leather	3pm	

FINANCIAL TIMES EQUITY INDICES

	Oct 18	Oct 17	Oct 14	Oct 13	Oct 12	Yr ago	*High	*Low
Ordinary Share	2373.9	2400.4	2391.2	2412.2	2382.0	2353.8	2713.6	2240.6
Ord. div. yield	4.33	4.29	4.32	4.28	4.33	3.94	4.51	3.43
Earn. yld. % full	6.18	6.12	6.15	6.16	6.17	4.57	6.51	3.82
P/E ratio net	18.84	18.92	18.71	18.86	18.65	27.58	33.43	16.94
P/E ratio nil	18.17	18.35	18.24	18.39	18.18	25.43	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2401.0	2391.8	2389.6	2383.5	2381.7	2382.4	2382.3	2373.5	2371.1	2401.0	2370.6

	Oct 18	Oct 17	Oct 14	Oct 13	Oct 12	Yr ago
SEAQ bargains	21,758	23,846	24,943	27,853	27,658	32,837
Equity turnover (£m)†	-	1076.5	1519.7	1892.7	1585.2	1750.7
Equity bargains†	-	26,871	28,972	31,334	29,344	37,454
Shares traded (mil)†	-	436.3	549.0	634.2	605.4	615.2

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£21¼	-¼	£25½	£19⅝	6,358	5.3	Φ
ANZ A$		173	—	278¼	173	2,302	6.3	27.1
Abbey National	†N□	411	-4	523	380½	5,382	4.7	13.8
Allied Irish I£	♣†N□	251	-4	314	233	1,873	6.0	9.8
Anglo Irish I£	MN□	58	—	*70	50	198.8	7.4	10.6
Asahi Y	□	703½	-16	819¼	628	16,325	0.6	Φ
Banco Bil Viz Pta	□	£19¼	+⅛	£16⅞	£14½	3,763	0.3	7.5
Banco Sant Pta		£28⅞	—	*£30½	£23¼	4,280	5.1	9.8
Bk Ireland I£	♣□	287	-4	*319	246	1,356	4.5	8.3
Bank Scotland	♣†N□	205xd	-3	247	172½	2,392	3.2	11.6
9¼pc Pf		107¼xd	—	141½	107¼	107.2	13.8	–
9¼pc Pf		112½xd	—	148½	112½	112.5	10.8	–
Barclays	♣†N□	554	-6½	640	467	8,187	3.7	12.1
Dai Ichi Kan Y	□	£11	-⅛	£12½	£10⅛	34,309	0.5	–
Deutsche DM	□	£285¼	-4	£344¼	£270⅝	14,061	2.3	–
Espirito Santo	□	£9⅛	-¾	*£13⅛	£8⅝	195.3	4.1	4.7
First Nat Fin	N□	71	—	*90	60	118.8	2.6	–
6.3pc Cv Pf		73	—	*90	73	4.91	16.0	–
7pc Cv Pf		132	—	171	123	62.6	6.6	–
Fuji Bank Y	□	1356¼	-4½	1549¼	1162½	39,296	0.4	Φ
HSBC HK	†N□	722xd	-8	1133	680	12,635	4.2	10.5
HSBC (75p Shs)	†N□	717xd	+1	1113	680	6,181	4.3	10.4
Lloyds	†N□	564	-10	660	519	7,309	5.1	11.1
Mitsubishi Y	□	£20⅛	-⅛	£18⅝	£15⅜	44,528	0.3	Φ
Mits Tst & Bk Y	□	944¼	-3¼	1162¼	687½	11,314	0.5	15.0
Mitsui Tst & Bk Y	□	779	-5½	879	514	8,580	3.8	24.2
Nat Aust A$	†	472	—	620¼	472	6,318	6.7	10.3
NatWest	†N□	501	-6	622	421	8,396	4.8	8.3
Ottomane FFr		£21¾	—	£33	£21¼	108.8	6.7	Φ
Ryl Bk Scotland	♣†N□	431	+6	528	377½	3,462	3.5	19.5
Sakura Y	□	£9⅛	-⅛	£9⅜	£8⅝	26,899	0.7	50.2
Sanwa Y	□	£12⅝	+⅛	£15⅛	£11⅛	38,580	0.5	–
Standard Chartd	†N□	275xd	-6	*359¼	223	2,849	2.8	9.8
7 3/8pc Prf		80½	+¼	106½	82¼	85.5	10.0	–
Sumitomo Y	□	£11⅛	-⅛	£18⅛	£11½	36,423	0.5	24.7
Sumitomo Tst Y	□	£12½	-3	1148½	825	11,391	0.6	Φ
TSB	†N□	220	-2	291	197	3,368	4.6	11.1
Tokai Y	□	£7⅛	+⅛	£9	£6⅝	15,445	0.8	47.8
Toyo Tst & Bk Y	□	687	-21½	862	585¼	5,478	0.7	81.7
Westpac A$		216	—	280	194	3,913	2.5	Φ
Yasuda Tst Bk Y	□	651¼	-5	856	442	6,082	0.9	48.8

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1994 high	low	Yld Gr's	NAV	Dis or Pm(-)
Perpetual Japan	□	105½	—	120	89	–	103.5	-1.9
Warrants	□	51	—	88	47	–	–	–
Personal Assets		5984½xd	—	594	278	2.8	5740.7	1.0
Pilot Inv	N□	128	—	153	125½	1.6	125.1	-2.3
Warrants	□	48	—	69	40½	–	–	–
Piper Euro Smlr	□	65	—	96	91	–	93.0	-2.1
Warrants	□	42	—	42	35	–	–	–
Primadona	N	274xd	—	283	251	2.1	303.0	0.6
Ptarmigan Intl	$♣N□	225	—	*276	306	1.9	241.0	6.6
Warrants		91	—	140	76	–	–	–
RIT Capital	♣N□	178	—	185	164½	1.1	216.6	17.8
2½pc Cv Ln 2000		£178	—	£188½	£170½	1.4	–	–
Radiotrust		70	—	88	65	–	72.8	2.8
Rights & Iss Inc	KN	155	—	166	153	7.3	–	–
Cap	N	473	-7	545	440	2.3	540.6	12.5
Riv & Merc Am Inc	N	105xd	—	121	104½	9.3	–	–
Cap	□	30	—	39	25	–	40.5	25.9
Warrants		14	—	17	13	–	–	–
Riv & Mer Ext	N□	106	-2	147	104	9.4	100.6	-3.3
Warrants		25	—	48	20	–	–	–
Zero Div Pf		109	-½	118½	108	–	–	–
Riv & Mer Geared	N	87	—	116	89	15.6	–	–
Pfd Cap 1999		28	—	35	23	–	33.1	15.4
Riv & Merc Smlr	N□	124xd	—	179	116	4.2	136.6	8.4
Warrants		38	—	77	31	–	–	–
Riv & Merc Tst Inc	N□	71	—	127	112½	10.1	–	–
Cap	□	128	—	158	118	–	190.4	33.8
Warrants		29	—	49	29	–	–	–
Do. Stppd Prf	N	148½xd	+½	183	144	5.0	–	–
River Plate Inc	N□	106	—	113	106	10.3	–	–
Cap	□	21	-2	118	76	–	125.0	35.2
Warrants		5	—	11	2½	–	–	–
Zero Div Pf		89¼	—	89¼	83¼	–	–	–
St Andrew	KN	307	—	343	290	3.2	317.9	3.4
St David's Inc	KN	141	—	143	124	13.3	–	–
Cap		175	-1	223	166	–	252.1	30.6
Zero Prf		147	-1	151½	142½	–	–	–
Saracen Value	□	87	+1	98	81	–	91.7	5.1
Warrants	□	08	—	43	20	–	–	–
SPLIT Inc	N	175	—	210	170	22.9	–	–
Cap		1123	—	1236	1055	–	1301.5	13.7

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's
TVX Gold ♥	451p	-2¼	490½p	338¼p	714.0	–
Toronto-Dom	9⅛xd	—	11¼	9⅞	2,836	3.9
Trans Can Pipe ♥	8½	-⅛	10¾	7⅜	1,468	4.7

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29½	—	£30	£13½	1,923	2.5	21.9
Barlow	Z	£4⅞	-⅛	£5⅛	£3⅞	990.0	0.7	–
Gold Flds Prop R		110xa	—	128	75	12.1	7.7	ϕ
MK Props.	Z	95	—	85	85	3.02	12.4	ϕ
SASOL	♥	582	+4	582	280	3,100	2.4	–
SA Brews		£13⅜	+⅛	£15⅞	£8	3,719	2.1	21.6
Tiger Oats	†	613	—	638	538	921.6	2.6	13.8
Tongaat-Hulett		598	—	*616½	350¼	845.9	2.1	16.7

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✲ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ϕ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield includes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
NICAM Asia Pacific Umbrella Fund				
Asia-Pacific	$14.80	15.01	—	–
Hong Kong	$14.30	14.50	—	–
Singapore	$18.35	18.59	—	–
Malaysia	$18.39	18.71	—	–
Thailand	$17.23	17.38	—	–
Indonesia	$13.05	13.33	—	–
Philippines	$21.02	21.48	—	–
Oceania	$11.61	11.85	—	–
Korea	$8.87	8.87	—	–
*Price as at October 12				
Nikko Asia Convertible Bond Fund				
Nikko Asia Conv Bond NAV		$8.95	—	–
Nikko Bank (Luxembourg) S.A.				
US Index Fd-SICAV NAV		$10.02	—	–
Euro Index Fd NAV		Ecu12.01	—	–
Nomura Alpha Fund				
Portfolio A Shs		$101.50	—	–
Portfolio B Shs		$-		
*Price as at October 11				
Nomura Asian Infrastructure Fd SICAV				
NAV		$23.82	+0.09	–
Nomura Rosenberg Alpha Fund Mark II				
Portfolio A: NAV		$18.33	+0.01	–
Portfolio B: NAV		$17.77	+0.11	–
For Nodi Currency Fd SICAV see BCL Currency Fd SICAV				
Pacific Basin Growth Fund				
NAV A Shs		$10.44	-0.01	–
NAV B Shs		$11.78	-0.02	–
Rosenberg Global Mngt Co SA (u)				

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

CURRENCIES AND MONEY

MARKETS REPORT

Sterling firmer against both dollar and D-Mark

The D-Mark lost ground on the markets yesterday as the post-election rally in the currency faded, *writes Philip Gawith.*

The generalised weakness confirmed the view that the relative strength of the D-Mark against the dollar, over the past few days, was more a case of dollar weakness than D-Mark strength.

The D-Mark finished in London at FFr3.431, from FFr3.434. It was also weaker against the lira, which closed at L1,020 from L1,023.

After touching an overnight low of DM1.4930, the dollar remained above DM1.50 for most of the day, finishing at DM1.5003, from DM1.5036. It was barely changed against the yen at Y97.685 from Y97.85.

Sterling had a good day, rising against both the dollar and the D-Mark. It finished at $1.6154, from $1.6074, and at DM2.4235 from DM2.4168.

■ The phenomenon of sterling simultaneously rising against both the D-Mark and the dollar has been fairly rare recently. Mr Chris Turner, currency strategist at BZW, says that, during the spring, sterling moved down with the dollar about 90 per cent of the time.

More recently, the two have moved in opposite directions around 25 per cent of the time. Despite yesterday's move, he said there was not yet enough evidence to suggest that the link between the two currencies had been broken.

On a trade weighted performance, sterling remains fairly weak. It finished at 80, compared to a high for the year of around 83 in February. Against the D-Mark, it also remains close to the lows for the year.

Against the dollar, however, the picture is brighter, with sterling near a two year high. Mr Rob Loewy, head of foreign exchange at Midland Global Markets, reported "fairly strong institutional demand against both the dollar and the D-Mark."

"It seems to be the case that a lot of UK corporates pre-sold sterling on its rise above $1.55. Now there is an absence of supply and this has encouraged buying."

Mr Tony Norfield, UK treasury economist at Abn-Amro, noted that options volatility in sterling had risen more than in D-Mark since the beginning of the week. "This suggests there is more of a fear of sterling, rather than the D-Mark, rising sharply against the dollar."

Relativa short term interest rates provida some support for sterling strength. Three month money in the US is currently around 5.5 per cent, compared to 5.2 per cent in Germany and 6 per cent in the UK. Consumer inflation, however, is around 2 per cent in the UK, compared to 3 per cent in the US and Germany, so sterling compares even more favourably from tha point of view of real interest rates.

■ The dollar was fairly subdued after Monday's weakness. "There is certainly not the same sense of panic about the dollar that we saw yesterday," said Mr Loewy, although the currency did wobbla at one point on rumours, later denied, that Fed vice-chairman Mr Alan Blinder had said US interest rates would not need to rise again this year.

The flip-side of this was a more sober attitude towards the D-Mark. After the rush to buy D-Marks on Friday and Monday, there was some evidence yesterday that investors had started to take profits.

Mr Loewy said he did not think the market was expecting central bank intervention at current levels. The speed of a currency's fall is normally as important as the level to which it has fallen in determining central bank activity.

The dollar had fallen nearly ten pfennigs in eleven days – to DM1.5170 from DM1.6050 – when, in July, it was the subject of co-ordinated central bank intervention.

The US currency will face a renewed test today with the release of August trade figures. A larger than expected deficit will refocus market attention on the US's trade dispute with Japan. Recent figures from Japan show that its bilateral trade surplus with the US widened in September to $5.8bn from $5.7bn.

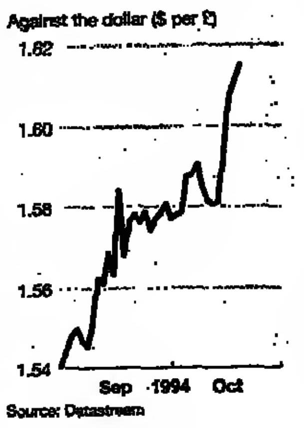
■ In the futures market, short sterling paused for a breather after the recent rally which has seen shorter-dated contracts rally 60-70 basis points. Traders said the market was in a consolidation phase.

Volumes were fairly low, with the December contract trading only 22,685 contracts to close at 93.54 from 93.61. The December euromark contract closed unchanged at 94.82.

The Bank of England provided UK money markets with £1.207bn of assistance after forecasting a £1.2bn shortage. Overnight money traded between 3 and 6¼ per cent.

Sterling

Against the dollar ($ per £)



Source: Datastream

■ **Pound in New York**

Oct 18	Latest	Prev. close
£ spot	1.6110	1.6105
1 mth	1.6101	1.6097
3 mth	1.6095	1.6093
1 yr	1.5969	1.5996

■ **OTHER CURRENCIES**

Oct 18	£	$
Hungary	171.306 - 171.453	106.019 - 106.110
Iran	2782.00 - 2785.00	1748.00 - 1750.00
Kuwait	0.4797 - 0.4807	0.2970 - 0.2975
Poland	36951.2 - 37026.1	22880.0 - 22915.0
Russia	4857.51 - 4873.66	3007.00 - 3017.00
U.A.E.	5.9215 - 5.9333	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Oct 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0587	+0.0489	504 - 669	17.0888	16.9741	17.0543	0.3	17.0426	0.4	-	-	115.5
Belgium	(BFr)	49.8933	+0.1683	712 - 153	49.9670	49.6230	49.8633	0.7	49.8083	0.7	49.4483	0.9	117.4
Denmark	(DKr)	9.4994	+0.0216	946 - 041	9.5128	9.4579	9.4946	0.6	9.5134	-0.6	9.5429	-0.5	117.4
Finland	(FM)	7.4745	+0.026	645 - 844	7.4950	7.4260	-	-	-	-	-	-	88.5
France	(FFr)	8.3137	+0.0162	100 - 173	8.3319	8.2764	8.3141	-0.1	8.3086	0.2	8.2593	0.7	110.6
Germany	(DM)	2.4235	+0.0067	225 - 245	2.4285	2.4106	2.4223	0.6	2.4192	0.7	2.3896	1.4	126.9
Greece	(Dr)	371.833	+1.387	660 - 006	372.344	369.701	-	-	-	-	-	-	-
Ireland	(I£)	1.0117	-0.0004	110 - 124	1.0131	1.0092	1.0115	0.2	1.0112	0.2	1.0129	+0.1	105.4
Italy	(L)	2472.77	+0.82	135 - 419	2476.12	2467.24	2478.87	-3.0	2490.67	-2.6	2545.07	-2.9	74.9
Luxembourg	(LFr)	49.3933	-0.3317	712 - 153	49.9670	49.6230	49.3633	0.7	49.3083	0.7	48.9483	0.9	117.4
Netherlands	(Fl)	2.7157	+0.0074	143 - 170	2.7209	2.7001	2.7143	0.6	2.7109	0.7	2.6802	1.3	121.6
Norway	(NKr)	10.5555	+0.0249	508 - 601	10.5802	10.5067	10.5549	0.1	10.5584	+0.1	10.5591	0.0	86.8
Portugal	(Es)	248.158	+0.577	016 - 300	248.617	246.949	246.888	-8.4	253.068	-7.9	-	-	-
Spain	(Pta)	201.457	+0.498	326 - 587	201.739	200.467	201.797	-2.0	206.692	-10.4	205.347	-1.6	86.4
Sweden	(SKr)	11.6365	+0.0146	274 - 456	11.6579	11.5403	11.6575	-2.2	11.7045	-2.3	11.8925	-2.2	76.0
Switzerland	(SFr)	2.0136	+0.0003	123 - 149	2.0187	2.0077	2.0106	1.6	2.0044	1.6	1.9673	2.3	123.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.0
Ecu	-	1.2727	+0.0027	719 - 735	1.2744	1.2658	1.2727	0.0	1.2724	0.1	1.2687	0.3	-
SDR†	-	0.926123	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6152	+0.009	147 - 156	1.6162	1.6065	-	-	-	-	-	-	-
Brazil	(R)	1.3687	+0.035	647 - 686	1.3721	1.3577	-	-	-	-	-	-	-
Canada	(C$)	2.1892	+0.0108	882 - 901	2.1893	2.1765	2.1883	0.5	2.1873	0.3	2.186	0.1	86.7
Mexico	(New Peso)	5.5247	+0.0323	193 - 301	5.5301	5.4989	-	-	-	-	-	-	-
USA	($)	1.6154	+0.008	150 - 158	1.6165	1.6067	1.6146	0.6	1.614	0.4	1.6036	0.7	61.1
Pacific/Middle East/Africa													
Australia	(A$)	2.1911	+0.0083	898 - 924	2.1931	2.1804	2.1911	0.0	2.1924	-0.2	2.2105	-0.6	-
Hong Kong	(HK$)	12.4827	+0.0623	788 - 866	12.4907	12.4167	12.4788	0.4	12.4777	0.2	12.4847	0.0	-
India	(Rs)	50.6731	+0.2545	545 - 617	50.7020	50.4060	-	-	-	-	-	-	-
Japan	(Y)	157.801	+0.521	705 - 896	158.170	157.280	157.371	3.3	156.416	3.5	151.481	4.0	198.5
Malaysia	(M$)	4.1285	+0.0214	270 - 300	4.1308	4.1075	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6415	+0.0106	398 - 432	2.6432	2.6260	2.6454	-1.8	2.6532	-1.8	2.6754	-1.3	-
Philippines	(Peso)	40.7889	-0.0378	980 - 797	40.9380	40.6320	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0593	+0.0307	574 - 612	6.0628	6.0267	-	-	-	-	-	-	-
Singapore	(S$)	2.3771	+0.0094	757 - 785	2.3795	2.3657	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.7000	+0.0015	961 - 038	5.7281	5.6748	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.4536	-0.0755	358 - 713	6.5237	6.4166	-	-	-	-	-	-	-
South Korea	(Won)	1289.97	+3.69	925 - 068	1290.68	1283.51	-	-	-	-	-	-	-
Taiwan	(T$)	42.2039	+0.2299	886 - 192	42.2278	41.9509	-	-	-	-	-	-	-
Thailand	(Bt)	40.3639	+0.1757	458 - 819	40.2990	40.0660	-	-	-	-	-	-	-

†SDR rates for Oct 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.5600	-0.0225	575 - 625	10.5975	10.5485	10.56	0.0	10.5598	0.0	10.485	0.7	104.7
Belgium	(BFr)	30.8880	-0.05	800 - 920	30.9650	30.8540	30.886	0.0	30.861	0.3	30.836	0.2	106.4
Denmark	(DKr)	5.8805	-0.016	790 - 820	5.9016	5.8785	5.8849	+0.9	5.894	+0.9	5.9505	-1.2	106.7
Finland	(FM)	4.6270	-0.007	220 - 320	4.6525	4.6159	4.6277	-0.2	4.6243	0.2	4.6345	-0.2	83.1
France	(FFr)	5.1465	-0.0157	455 - 475	5.1665	5.1430	5.1488	-0.5	5.148	-0.1	5.1505	-0.1	107.0
Germany	(D)	1.5003	-0.0033	000 - 005	1.5058	1.4987	1.5003	0.0	1.4989	0.4	1.4902	0.7	107.7
Greece	(Dr)	230.180	-0.29	130 - 230	230.730	230.100	230.475	-1.5	231.055	-1.5	233.255	-1.3	69.0
Ireland	(I£)	1.5968	+0.0085	960 - 975	1.5985	1.5882	1.5967	0.0	1.5969	0.0	1.5838	0.8	-
Italy	(L)	1530.75	-7.15	025 - 125	1539.50	1530.00	1535.3	-3.6	1543.25	-3.3	1587.25	-3.7	75.1
Luxembourg	(LFr)	30.8860	-0.05	800 - 920	30.9650	30.8640	30.886	0.0	30.861	0.3	30.836	0.2	106.4
Netherlands	(Fl)	1.6811	-0.0039	807 - 815	1.6870	1.6802	1.6811	0.0	1.6797	0.3	1.6714	0.8	106.3
Norway	(NKr)	6.5343	-0.0172	330 - 355	6.5789	6.5307	6.5381	+0.7	6.5558	-1.3	6.6093	-1.1	97.1
Portugal	(Es)	153.620	-0.41	570 - 670	154.070	153.570	154.295	-5.3	155.52	-4.9	159.87	-4.1	95.2
Spain*	(Pta)	124.710	-0.315	660 - 760	125.010	124.660	124.985	-2.6	125.445	-2.4	128.06	-2.7	81.3
Sweden	(SKr)	7.2035	-0.027	996 - 073	7.2363	7.1742	7.2183	-2.5	7.251	-2.6	7.416	-2.9	81.3
Switzerland	(SFr)	1.2465	-0.0061	460 - 470	1.2520	1.2460	1.2453	1.2	1.2419	1.5	1.2268	1.6	108.9
UK	(£)	1.6154	+0.008	150 - 159	1.6165	1.6067	1.6146	0.6	1.614	0.4	1.6036	0.7	87.9
Ecu	-	1.2693	+0.0036	688 - 698	1.2702	1.2658	1.2686	0.7	1.2679	0.5	1.264	0.4	-
SDR†	-	1.47374	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0006	998 - 999	0.9999	0.9978	-	-	-	-	-	-	-
Brazil	(R)	0.8460	+0.0175	450 - 470	0.8500	0.8410	-	-	-	-	-	-	-
Canada	(C$)	1.3552	-0.0001	549 - 554	1.3554	1.3529	1.3551	0.0	1.3555	-0.1	1.3632	-0.6	83.3
Mexico	(New Peso)	3.4200	+0.003	175 - 225	3.4230	3.4175	3.421	-0.4	3.4228	-0.3	3.4302	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3564	-0.0029	559 - 569	1.3596	1.3559	1.3566	-0.2	1.3573	-0.3	1.3647	-0.6	85.0
Hong Kong	(HK$)	7.7273	-	268 - 278	7.7278	7.7268	7.7271	0.0	7.7276	0.0	7.7428	-0.2	-
India	(Rs)	31.3688	+0.0013	650 - 725	31.3725	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	97.6850	-0.165	500 - 200	98.3000	97.6500	97.465	2.7	96.615	3.2	94.46	3.3	149.6
Malaysia	(M$)	2.5557	+0.0005	554 - 560	2.5575	2.5550	2.5465	4.3	2.5352	3.2	2.6087	-2.1	-
New Zealand	(NZ$)	1.6352	-0.0016	345 - 359	1.6358	1.6327	1.6361	-0.7	1.638	-0.7	1.6433	-0.5	-
Philippines	(Peso)	25.2600	-0.15	000 - 000	25.8000	25.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7510	+0.0003	507 - 512	3.7512	3.7506	3.7523	-0.4	3.7564	-0.6	3.775	-0.6	-
Singapore	(S$)	1.4715	-0.0015	710 - 720	1.4732	1.4710	1.4702	1.1	1.4683	0.9	1.4615	0.7	-
S Africa (Com.)	(R)	3.5285	-0.0168	270 - 300	3.5480	3.5265	3.544	-5.3	3.5723	-5.0	3.649	-3.4	-
S Africa (Fin.)	(R)	3.9950	-0.067	850 - 050	4.0500	3.9850	4.0287	-10.1	4.0875	-9.3	-	-	-
South Korea	(Won)	798.545	-1.705	300 - 790	800.600	798.300	801.545	-4.5	805.045	-3.3	823.545	-3.1	-
Taiwan	(T$)	26.1260	+0.0122	230 - 290	26.1290	26.1025	26.146	-0.9	26.186	-0.9	-	-	-
Thailand	(Bt)	24.9250	-0.0155	200 - 300	24.9350	24.9200	24.9975	-3.5	25.125	-3.2	25.605	-2.7	-

†SDR rate for Oct 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 17. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 18	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4¾	4⅞	5⅛	5⅜	6¼	7.40	4.50	-
week ago	4¾	4⅞	5⅜	5⅞	6½	7.40	4.50	-
France	5⅛	5⅛	5⅝	5⅞	6¾	5.00	-	6.75
week ago	5⅝	5⅛	6⅛	5⅞	6½	5.00	-	6.75
Germany	4.88	4.95	5.15	5.25	5.60	6.00	4.50	4.85
week ago	4.90	4.95	5.20	5.30	5.75	6.00	4.50	4.85
Ireland	4⅝	5⅜	5⅞	6⅜	7⅛	-	-	6.25
week ago	4⅝	5⅜	6⅜	6⅜	7⅝	-	-	6.25
Italy	8⅛	8⅜	8¾	9¼	10¼	-	7.50	8.20
week ago	8¾	8⅜	8⅞	8¾	10⅜	-	7.50	8.20
Netherlands	4.94	4.92	5.16	5.29	5.68	-	5.25	-
week ago	4.84	4.92	5.21	5.36	5.51	-	5.25	-
Switzerland	2⅞	3⅞	4⅛	4⅜	4⅞	6.625	3.50	-
week ago	3⅞	3⅞	4⅜	4⅜	4⅞	6.625	3.50	-
US	4¾	4⅞	5½	5¾	6⅛	-	4.00	-
week ago	4¾	4⅞	5⅜	5⅞	6⅛	-	4.00	-
Japan	2¼	2¼	2⅛	2½	2⅞	-	1.75	-
week ago	2⅛	2¼	2¼	2⅜	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5	5⅜	5⅞	6⅜	-	-	-
week ago	-	5	5⅝	5⅞	6⅛	-	-	-
US Dollar CDs	-	4.82	5.21	5.51	6.08	-	-	-
week ago	-	4.82	5.31	5.60	6.17	-	-	-
SDR Linked Ds	-	3⅝	3⅞	3¾	4	-	-	-
week ago	-	3⅝	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 18	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	5¼ - 5⅛	5½ - 5⅜	6⅜ - 6¼
Danish Krone	9 - 5¾	9 - 5¾	6 - 5¾	6⅜ - 6¼	6⅝ - 6⅝	7½ - 7⅜
D-Mark	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	5⅛ - 5	5¼ - 5⅛	5⅞ - 5¾
Dutch Guilder	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	5⅛ - 5⅛	5⅜ - 5⅜	5⅞ - 5¾
French Franc	5⅜ - 5¼	5⅞ - 5⅝	5⅞ - 5⅝	5⅝ - 5½	5⅞ - 5⅞	6⅞ - 6⅞
Portuguese Esc.	6⅞ - 9⅛	6¼ - 9	9⅛ - 9⅞	10⅜ - 10	10⅜ - 10⅜	10⅜ - 10½
Spanish Peseta	7½ - 7⅛	7½ - 7⅜	7½ - 7⅛	7⅞ - 7¾	8⅞ - 8⅜	9 - 8⅞
Sterling	6 - 5¾	5⅜ - 5½	5⅝ - 5⅞	5⅞ - 5⅞	6⅞ - 6⅝	7⅞ - 7⅛
Swiss Franc	3⅞ - 3⅝	3⅞ - 3⅝	3⅞ - 3⅞	4⅛ - 4	4⅜ - 4⅜	4⅞ - 4⅝
Can. Dollar	4⅞ - 4⅞	4⅞ - 4⅞	5 - 4⅞	5⅛ - 5⅛	6 - 5⅞	6⅞ - 6⅞
US Dollar	4⅞ - 4⅞	4⅞ - 4⅞	5 - 4⅞	5⅝ - 5⅞	5⅞ - 5⅞	6⅞ - 6⅞
Italian Lira	9 - 7½	8⅜ - 8⅛	8⅝ - 8⅜	8¾ - 8⅝	9¼ - 9⅛	10⅜ - 10¼
Yen	2⅜ - 2⅛	2¼ - 2⅛	2⅜ - 2⅞	2⅞ - 2⅞	2½ - 2⅞	2⅞ - 2¾
Asian $Sing	1⅞ - 1⅝	1¼ - 1⅛	2⅜ - 2¼	3⅜ - 3⅛	3⅝ - 3½	4 - 3⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.13	94.16	+0.02	94.20	94.12	26,150	52,851
Mar	93.73	93.77	+0.02	93.80	93.72	16,312	35,890
Jun	93.37	93.42	+0.02	93.46	93.36	10,437	22,602
Sep	93.05	93.07	+0.01	93.10	93.02	3,024	19,851

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.18	94.12	-0.01	94.15	94.15	25	2558
Mar		83.72	-0.01			0	1386
Jun		93.32	-0.02			0	300
Sep		92.99	-0.02			0	52

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.82	94.82	-	94.85	94.79	31138	157250
Mar	94.56	94.55	-0.03	94.59	94.53	33731	135454
Jun	94.22	94.20	-0.04	94.25	94.17	24229	100192
Sep	93.84	93.82	-0.05	93.89	93.80	11867	80021

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.68	90.74	+0.03	90.77	90.60	5579	31780
Mar	89.97	90.05	+0.04	90.09	89.96	4201	19989
Jun	89.45	89.53	+0.04	89.59	89.45	1863	14563
Sep	89.08	89.15	+0.03	89.18	89.08	879	15823

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.74	95.74	-0.01	95.76	95.72	3752	20521
Mar	95.50	95.47	-0.04	95.50	95.45	1516	16797
Jun	95.06	95.07	-0.03	95.08	95.05	394	6170
Sep	94.75	94.74	-0.03	94.77	94.72	116	1239

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.85	93.86	-0.01	93.88	93.83	1015	7391
Mar	93.40	93.43	-0.01	93.46	93.40	1457	6408
Jun	92.90	92.93	-	92.66	92.90	1378	3430
Sep	92.47	92.49	+0.01	92.51	92.47	839	1815

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.04	16.66	4.857	2.026	4955	5.442	21.15	497.3	403.7	23.31	4.035	2.004	4.388	3.237	316.3	2.550
Denmark	(DKr)	52.52	10	8.751	2.551	1.064	2602	2.858	11.11	261.2	212.0	12.24	2.119	1.053	2.304	1.700	166.1	1.339
France	(FFr)	60.01	11.43	10	2.915	1.216	2974	3.266	12.69	298.4	242.3	13.99	2.422	1.203	2.633	1.943	189.8	1.530
Germany	(DM)	20.58	3.920	3.431	1	0.417	1020	1.121	4.354	102.4	83.12	4.800	0.831	0.413	0.903	0.667	65.13	0.525
Ireland	(I£)	49.35	9.396	8.223	2.397	1	2445	2.685	10.44	245.4	199.2	11.50	1.991	0.989	2.165	1.597	156.1	1.258
Italy	(L)	2.016	0.384	0.336	0.098	0.041	100.	0.110	0.427	10.04	8.147	0.470	0.081	0.040	0.089	0.065	6.383	0.051
Netherlands	(Fl)	18.38	3.499	3.062	0.892	0.372	910.5	1	3.886	91.38	74.16	4.284	0.741	0.368	0.806	0.595	58.12	0.469
Norway	(NKr)	47.29	9.004	7.880	2.297	0.958	2343	2.573	10	235.2	190.9	11.02	1.908	0.948	2.075	1.531	149.6	1.206
Portugal	(Es)	20.11	3.829	3.351	0.977	0.407	996.4	1.094	4.252	100.	81.18	4.688	0.811	0.403	0.882	0.651	63.60	0.513
Spain	(Pta)	24.77	4.716	4.128	1.203	0.502	1227	1.348	5.238	123.2	100.	5.778	1.000	0.497	1.087	0.802	78.35	0.632
Sweden	(SKr)	42.90	8.168	7.148	2.083	0.869	2126	2.334	9.071	213.3	173.2	10	1.731	0.860	1.882	1.389	135.7	1.094
Switzerland	(SFr)	24.78	4.718	4.130	1.204	0.502	1228	1.348	5.241	123.2	100.0	5.777	1	0.497	1.087	0.802	78.39	0.632
UK	(£)	49.89	9.499	8.313	2.423	1.011	2472	2.715	10.55	248.1	201.4	11.63	2.013	1	2.189	1.615	157.8	1.272
Canada	(C$)	22.79	4.339	3.798	1.107	0.462	1129	1.240	4.820	113.3	92.01	5.313	0.920	0.457	1	0.738	72.09	0.581
US	($)	30.89	5.882	5.147	1.500	0.626	1531	1.681	6.533	153.6	124.7	7.201	1.246	0.619	1.355	1	97.71	0.788
Japan	(Y)	31.62	6.020	5.268	1.535	0.641	1567	1.721	6.686	157.2	127.6	7.370	1.276	0.634	1.387	1.023	100.	0.806
Ecu		39.22	7.468	6.535	1.905	0.795	1943	2.134	8.294	195.0	158.3	9.143	1.583	0.786	1.721	1.270	124.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6670	0.6665	-0.0010	0.6678	0.6645	43,161	90,280
Mar	0.6667	0.6678	-0.0008	0.6680	0.6662	555	4,189
Jun	-	0.6701	-	-	-	2	613

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0292	1.0276	-0.0022	1.0298	1.0230	28,315	57,090
Mar	1.0345	1.0358	-0.0021	1.0361	1.0330	500	6,170
Jun	-	1.0475	-	-	-	1	494

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8031	0.8026	-0.0015	0.8041	0.8008	26,575	41,170
Mar	0.8043	0.8058	-0.0009	0.8062	0.8046	159	1,023
Jun	-	0.8103	-	-	-	4	59

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6080	1.6136	-0.0046	1.6152	1.6054	16,643	43,880
Mar	1.6110	1.6130	+0.0052	1.6130	1.6110	146	454
Jun	-	1.6090	-	1.6090	-	1	6

LONDON MONEY RATES

Oct 18	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 3	5¼ - 5¼	5⅝ - 5⅜	6 - 5⅞	6⅛ - 6¼	7¼ - 7⅛
Sterling CDs	-	-	5½ - 5⅜	5⅞ - 5⅞	6⅜ - 6⅛	7⅛ - 6⅞
Treasury Bills	-	-	5⅜ - 5⅜	5⅝ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅞	5¾ - 5⅞	6⅛ - 6	-
Local authority deps.	5¼ - 5⅛	5¼ - 5⅛	5⅝ - 5⅜	5¾ - 5⅝	6⅜ - 6⅛	7⅛ - 6⅞
Discount Market deps	5¾ - 3¼	5⅝ - 5⅜	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc. Ave. tender rate of discount 5.4214pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 30, 1994. Agreed rate for period Oct 26, 1994 to Nov 25, 1994, Schemes II & III 7.05pc. Reference rate for period Sep 1, 1994 to Sep 30, 1994, Schemes IV & V 5.735pc. Finance House Base Rate 6pc from Oct 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.57	93.54	-0.07	93.58	93.51	22719	148158
Mar	92.78	92.75	-0.08	92.79	92.72	22845	70034
Jun	92.21	92.19	-0.08	92.21	92.16	8766	51161
Sep	91.78	91.79	-0.06	91.79	91.74	5627	50525

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9350	0.21	0.06	0.12	0.17	0.83	1.44
9375	0.10	0.04	0.08	0.31	1.04	1.65
9400	0.03	0.01	0.05	0.49	1.26	1.87

Est. vol. total, Calls 22530 Puts 4040. Previous day's open int., Calls 332348 Puts 183152

EMS EUROPEAN CURRENCY UNIT RATES

Oct 18	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14472	+0.00187	-2.37	5.61	-
Belgium	40.2123	39.3840	+0.0349	-2.06	5.26	15
Germany	1.94964	1.91396	+0.00167	-1.83	5.04	-
Ireland	0.808628	0.798641	-0.001995	-1.24	4.40	6
France	6.53883	6.56622	+0.00136	0.42	2.68	-4
Denmark	7.43679	7.50007	+0.001	0.86	2.24	-6
Portugal	192.854	195.858	+0.101	1.56	1.53	-10
Spain	154.250	159.053	+0.028	3.11	0.00	-22
NON ERM MEMBERS						
Greece	264.513	293.463	-0.254	10.94	-7.06	-
Italy	1793.19	1952.61	-4.19	8.89	-5.30	-
UK	0.786749	0.789150	-0.002319	0.31	2.80	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Nov	Dec	Jan	PUTS Nov	Dec	Jan
1.550	6.38	6.65	6.92	0.03	0.33	0.66
1.575	4.11	4.65	5.06	0.20	0.79	1.25
1.600	2.25	2.99	3.49	0.77	1.58	2.13
1.625	0.95	1.79	2.32	1.97	2.78	3.32
1.650	0.30	0.97	1.44	3.79	4.43	4.91
1.675	0.06	0.47	0.94	6.00	6.42	6.79

Previous day's vol., Calls 118,040 Puts 87,894 . Prev. day's open int., Calls 411,700 Puts 353,808

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.12	94.14	+0.02	94.15	94.12	118,935	448,525
Mar	93.73	93.75	+0.02	93.77	93.73	81,843	401,758
Jun	93.34	93.36	+0.03	93.37	93.34	41,333	300,331

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.70	94.71	+0.02	94.73	94.70	1,583	18,211
Mar	94.27	93.76	+0.02	94.28	94.27	642	6,153
Jun	93.88	93.38	+0.02	93.88	93.86	212	3,716

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
9475	0.10	0.14	0.11	0.14	0.03	0.07	0.31	0.34
9500	0.03	0.04	0.02	0.06	0.20	0.22	0.47	0.51
9525	0	0.01	0.01	0.02	0.43	0.44	0.71	0.72

Est. vol. total, Calls 13704 Puts 7979. Previous day's open int., Calls 189194 Puts 173744

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9550	0.27	0.22	0.14	0.03	0.25	0.57
9575	0.09	0.12	0.07	0.10	0.40	0.75
9600	0.06	0.05	0.03	0.32	0.58	0.96

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1870 Puts 645

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75	● Members of London Investment Banking Association	
Citibank NA	5.75	Lloyds Bank	5.75	* In administration	
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

CONTRACTS & TENDERS

ESTADO DO PARANÁ
SECRETARIA DA AGRICULTURA E DO ABASTECIMENTO
Instituto Agronômico do Paraná
IAPAR

LIGHTING DETECTION AND LOCATION SYSTEM
SIMEPAR TENDER Nº 003/94
CALL FOR BIDS

The AGRONOMIC INSTITUTE OF PARANÁ – IAPAR will receive until 2:00 p.m. on the 25 November 1994, at the Paraná State Meteorological System – SIMEPAR at the Polytechnic Center of the Federal University of Paraná, Jardim das Américas, Curitiba – Paraná – Brazil, the Documentation for Eligibility and Technical and Commercial Proposals to manufacture the equipment for the Lightning Detection and Location System, the complete description of which is contained in the Technical Specification, the opportunity for which will begin in public session by the opening of the envelopes containing the Documents of Eligibility.

The bidding will be of a type, for Technical Quality and Price as Governed by the Brazilian Federal Statute 8.666/93 and the specific conditions contained in this edict.

It is projected that the system for tender shall be an integral part of the Parana State Meteorological System – SIMEPAR and is to be a priority for the work in Scientific and Technological Research, and by complimentary to the operational activities.

Interested parties may obtain more information, analyze, or receive a copy of the complete Edict at the address below:

Sistema Meteorológico do Paraná – SIMEPAR
Centro Politécnico da Universidade Federal do Paraná
Jardim das Américas – Caixa Postal 318
80001-970, Curitiba – Paraná – Brazil
Tel/fax: +55(41) 366-2122

A complete copy of the document for bidding, in Portuguese and in English may be obtained by interested parties on payment of a non returnable fee of R$ 300,00 (three hundred Reais) up until 10 (ten) days before the above established deadline for receiving proposals.

The financial resources for payments, resulting from this current bidding, are available as part of the Paraná State budget.

At the time the document for bidding is purchased, all Bidders shall present a letter containing their complete mailing address (Bidder's Name, Street, Number, Zip code, City, State, Country, Tel and Fax numbers).

GONÇALO SIGNORELLI DE FARIAS
Director President

GOVERNO DO ESTADO DO PARANÁ

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 18 / Sch)

BELGIUM/LUXEMBOURG (Oct 18 / Frs.)

DENMARK (Oct 18 / Kr)

FINLAND (Oct 18 / Mks)

FRANCE (Oct 18 / Frs.)

GERMANY (Oct 18 / Dm.)

ITALY (Oct 18 / Lire)

NETHERLANDS (Oct 18 / Fls.)

NORWAY (Oct 18 / Kroner)

SPAIN (Oct 18 / Pts.)

SWEDEN (Oct 18 / Kronor)

SWITZERLAND (Oct 18 / Frs.)

PACIFIC

JAPAN (Oct 18 / Yen)

HONG KONG (Oct 18 / H.K.$)

MALAYSIA (Oct 18 / MYR)

SINGAPORE (Oct 18 / S$)

AUSTRALIA (Oct 18 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Oct 18 / Can $)

4 pm close

MONTREAL (Oct 18 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Oct 18 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, October 18, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Kisen	5.5m	409	-7	NKK	3.9m	294	+6
Sumitomo Mtl Min	5.3m	980	-15	Tosoh	3.5m	428	+8
Sumitomo Mtl Ind	5.1m	354		Isuzu Motors	3.5m	528	+16
Kawasaki Steel	5.0m	447	+2	Nissan Motor	3.2m	825	+7
Nippon Steel	4.5m	390	+1	Nippon Paper	3.1m	783	+5

INDICES

	Oct 18	Oct 17	Oct 14	1994 High		1994 Low	
Japan							
Nikkei 225 (16/5/49)	19992.40	19956.29	19959.29	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	290.09	289.89	294.18	311.71	13/6	268.22	4/1
Topix (4/1/68)	1586.85	1585.45	1593.06	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2256.73	2262.81	2260.86	2542.85	8/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1118.74	1126.12	1128.45	1314.46	5/1	928.33	4/4

— Sat Oct 15: Taiwan Weighted Price 6695.47; Korea Comp Ex 1088.48. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ✝ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 10 - 2089.56 -28.00

US INDICES

■ RATIOS

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Oct	1911.0	1908.0	-8.0	1924.0	1902.0	18,486	27,207
Nov	1918.0	1916.0	-8.0	1924.0	1911.5	91	1,318
Dec	1927.0	1923.5	-8.0	1938.0	1921.0	226	25,212

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

4 pm close October 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅜	12¼	AAR	0.40	3.8	20	116	12⅝	12½	12½	-⅛
17¼	12⅝	A L Labs A 4	0.16	1.1	37	98	16¾	16¼	16⅛	-½
79⅜	57⅝	AMP	1.68	2.2	27	873	78½	77⅞	78⅛	-½
72¾	48⅞	AMR			81	3931	52	50¼	52	+1½
5	3⅞	ARX			13	107	3⅞	3¾	3⅞	+⅛
56⅛	30⅝	ASA	2.00	4.0	33	505	50½	50	50	-½
32	25⅞	AbbttL x	0.78	2.4	18	15248	31¼	30¾	31⅛	-⅛
15¼	11⅞	Abitibi Pr	0.50	3.7	10	20	13⅝	13⅝	13⅝	-⅛
23⅝	17¾	ABM Ind 4	0.52	2.6		12	20	20	20	
16	11⅛	Acptncetn			30	360	u16⅜	15⅞	16⅜	+⅜
31	22⅜	ACE Ltd	0.44	1.8	29	530	24¼	23¾	23⅞	-⅛
12½	8⅛	ACM Gvt In	1.09	11.7		328	9½	9⅜	9⅜	-⅛
10⅛	1	ACM GvOpp	0.80	11.4		34	7⅜	d7	7	
10⅝	7	ACM Gvt Sp	8.96	13.7		201	7⅛	d7	7	-⅛
12	8⅛	ACM Gvt Se	1.09	12.9		305	8½	d8⅜	8½	+⅛
11¾	7⅜	ACM Man	1.08	13.3		165	8⅛	8	8⅛	+⅛
9¼	8	ACM Managd	8.72	0.7		38	8¼	8¼	9¼	-⅛
15½	0¼	AcmeCh	0.44	3.3	19	48	13⅝	13½	13½	
9⅞	6½	Acme Elect			6	139	9½	9⅛	9⅜	+⅛
28¾	23	Acordia	0.60	2.2	13	11	27⅝	27½	27½	
13¼	5¾	Actava	0.35	3.7	2	582	9⅜	9⅝	9⅝	-¼
17	11¼	Acuson			125	87	16⅜	16⅛	16⅛	-⅛
18⅜	16½	Adams Expr	0.48	2.8	8	82	17¼	17½	17½	
64	46½	Ad Micro	3.00	5.8		73	52½	52	52	
31¾	18¾	AdvMic	3.00	12.6	19	4964	23⅞	22⅞	23⅜	-⅛
6⅞	5	Advest Grp	0.16	3.8	6	65	5¼	5⅛	5¼	
30	15	Advo Inc	0.10	0.6	110	23	17⅞	17½	17½	-⅜
82	49⅞	Aegon ADR	1.47	2.4	13	90	61¾	60⅞	61¼	-¼
82¼	44⅜	AetnaL	2.76	5.8	7	2717	48⅛	47½	47¾	-¼
36⅛	25¼	Aflac	0.46	1.4	14	1051	33½	32¾	33½	+½

Continued on next page

4 pm close October 18

NYSE COMPOSITE PRICES

Continued from previous page

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Price data supplied by Telekurs

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AMEX COMPOSITE PRICES

4 pm close October 18

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NASDAQ NATIONAL MARKET

4 pm close October 18

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AMERICA

Rise in oil prices drives Dow lower

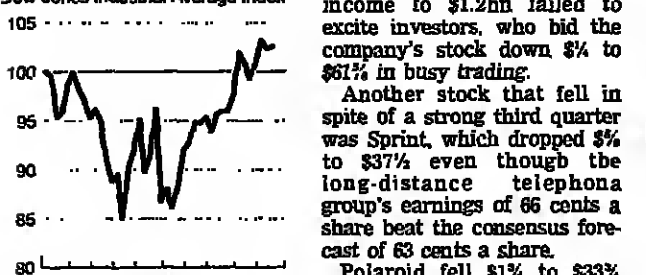
Wall Street

Declines in government bond prices amid fresh concern about higher interest rates set the tone for a downbeat day on US stock markets, where share prices posted falls across the board in a subdued morning session, *writes Patrick Harverson in New York*.

By 1 pm, the Dow Jones Industrial Average was down 16.15 at 3,907.78. The more broadly based Standard & Poor's 500 was also lower at the balfway mark, down 1.82 at 467.14, while the American Stock Exchange composite was off 1.53 at 457.23 and the Nasdaq composite down 1.09 at 764.69. Trading volume on the New York SE amounted to 152m shares by 1 pm.

Philip Morris

Share price relative to the Dow Jones Industrial Average Index



Source: Datastream

After putting together a string of impressive gains over the past six trading days, analysts were expecting to see a pull-back in blue-chip stocks some time this week. It came yesterday morning as falling bond prices gave investors an excuse to sell, or keep out of the market altogether.

Bonds fell because of a rise in oil prices, which always rattles inflation-sensitive fixed-income investors, and because of a statement from Ms Susan Phillips, a Federal Reserve governor, that the US economy was "surprisingly" strong. The comment suggested that the economy is still growing at a rate faster than the Fed expected, and led the bond market to conclude that another interest rate increase to slow economic growth would be announced by the Fed soon.

The concerns were shared by stock market investors, who are equally troubled by the thought of another monetary policy tightening. There have been five rate increases already this year, and the markets fear that further rises could undermine not just economic growth, but also corporate earnings growth in the coming quarters.

For now, however, companies continue to post impressive quarterly earnings. Yesterday, among stocks benefiting from better-than-expected profits were Merrill Lynch, up $⅞ at $35¼, Sun Microsystems, up $1⅞ at $32, Citicorp, up $1 at $43⅞, and Apple Computer, up $1⅞ at $41⅛.

Philip Morris's earnings also exceeded analysts' expectations, although not by much, and the 27 per cent rise in net income to $1.2bn failed to excite investors, who bid the company's stock down $¼ to $61⅞ in busy trading.

Another stock that fell in spite of a strong third quarter was Sprint, which dropped $⅝ to $37½ even though the long-distance telephone group's earnings of 66 cents a share beat the consensus forecast of 63 cents a share.

Polaroid fell $1⅞ to $33⅞ after announcing third quarter earnings of 62 cents a share, up from 52 cents a share a year ago but well below most Wall Street forecasts.

Drug stocks weakened following modestly disappointing results from Merck, which left its shares $⅛ lower at $35⅞. Bristol-Myers Squibb were off $⅜ at $58⅝, Warner-Lambert down $⅛ at $78¼ and Pfizer $¼ lower at $71⅞.

Canada

Toronto was pulled lower at midday by profit-taking, with heavy losses in most sectors outpacing gains in gold and precious metals and financial services.

The TSE 300 index fell 14.97 to 4,312.03 at noon in low volume of 16.9m shares. Of Toronto's 14 sub-indices, 12 sectors fell in midday trade. Weak groups were led by communications and media, followed by forest products.

Brazil improves 1%

Shares in São Paulo were 1 per cent higher in midday trade as investors began to bargain hunt following recent sharp losses.

The Bovespa index was up 462 at 48,306 by 1 pm in turnover of R$173.9m ($205.3m).

In spite of the upturn, analysts said foreign investors were still mainly absent.

In the currency market the central bank bought dollars in an effort to bolster the real/US dollar exchange rate after the local currency continued to rise.

Brokers said the bank had intervened eight times over the last three sessions.

Telebras preferred advanced 1 per cent to R$42.40, Eletrobras preferred declined 0.6 per cent to R$310 and the oil group Petrobras was 2.6 per cent higher at R$135.50.

Strength in South Africa

Johannesburg strengthened again yesterday as demand was reawakened.

Dealers said the gold price, recent blue chip strength on Wall Street, the expectation of continued strong local company earnings, and a limited supply of quality stock were all factors behind the gains, which were expected to be extended in the short term.

But traders added that firmness in the financial rand had depressed some major shares.

The overall index climbed 27 to 5,682, industrials 65 to 6,468 and golds 22 to 2,322.

Sappi set another high for the year as it gained R1 at R66 on continued positive reaction to its acquisition of a 70 per cent stake in SD Warren, and ahead of interim results.

De Beers finished R1.85 down at R99.75 on foreign selling. Anglos reversed an initial rise to close a net 50 cents off at R238. Gencor collected 10 cents at R14.35.

EUROPE

Extended dollar weakness hits bonds, equities

After Monday's weakness, when Mr Helmut Kohl's German election victory and the strength of the D-Mark helped to push the dollar to a two-year low, the US currency was looking shaky again yesterday, *writes Our Markets Staff*.

European bond markets lost ground, some more than others; the effect on equities was similarly varied, but generally depressing.

FRANKFURT weakened slightly in official floor trading, the Dax index easing 6.12 to 2,084.76, and took a more serious tumble in the post-bourse where the Ibis-indicated Dax closed 26.00 lower at 2,069.58. Turnover fell from DM8.5bn to DM6.3bn.

Once again, the weakness of the dollar made its most serious impact on the big cyclical exporters, and carmakars in particular as Volkswagen denied rumours that it had lost money in foreign exchange markets. By the and of tha post-bourse, BMW was down DM19 over 24 hours, Daimler by DM15.20 and VW by DM16.70, to DM786, DM764.50 and DM447 respectively.

However, carmakers also took the lead in Germany's pre-election rally: before that, on October 7, these three were priced at DM745, DM730 and DM438; there were suggestions during the session that investors were switching out of the sector, and into banks and utilities.

The post-bourse blew more froth off some other stocks: Continental, the tyremaker, lost DM8.50 at DM225; the vulnerable Metallgesellschaft DM8.90 at DM159.10; Schering, and its drug prospects, fell DM34 to DM964; Mannesmann, and its mobile telephones story, by DM16.50 to DM389; and, circling back to dollar-influenced, cyclical racovery prospects, Deutsche Babcock by DM7 to DM230.

PARIS drifted lower in a session that failed to come alive. The CAC-40 index ended off 7.82 at 1,898.60, after moving in a narrow range between 1,912 and 1,892.

The forthcoming Renault part-privatisation remained at the forefront of investors' minds, although the vehicle sector was yesterday pulled in different directions: Peugeot down FFr13 at FFr769 and Valeo up FFr3 at FFr283.10.

Hoare Govett said recently that it had a preference for the carmakers over the equipment makers, and rated Valeo a sell, in spite of having upgraded 1994 and 1995 earnings forecasts for the company. "An acquisition [by Valeo] remains a distinct probability, possibly in the automotive electronics sector, where Valeo has no real experiance: a development which would weigh on short-term profitability," said the broker.

FT-SE Actuaries Share Indices

Oct 18							THE EUROPEAN SERIES	
Hourly changes	Open	11.00	11.30	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1335.81	1334.43	1335.10	1335.21	1335.62	1337.18	1334.21	1333.52
FT-SE Eurotrack 200	1391.99	1391.72	1391.68	1392.42	1393.51	1394.16	1389.92	1389.14

	Oct 17	Oct 14	Oct 13	Oct 12	Oct 11
FT-SE Eurotrack 100	1343.00	1350.17	1351.18	1333.83	1330.45
FT-SE Eurotrack 200	1400.87	1404.65	1412.28	1392.70	1384.60

Base 1000 (26/10/90); High/day: 100 - 1337.71; 200 - 1395.20 Low/day: 100 - 1333.34 200 - 1388.98 † Partial

MILAN was lower, with investors unnerved by news that the government was prepared to reopen budget negotiations over pensions cuts with tba unions, and the Comit index lost 10.72 or 1.7 per cent to 626.66.

Robert Fleming Securities commented that the Italian market had underperformed Europe by approximately 4 per cent, or 8.9 per cent in dollar terms, during the last quarter, eroding outperformance since the beginning of the year to 14.5 per cent, or 10.2 per cent in dollar terms. "Continued sales from foreign institutions have compounded the effect of the sales by domestic private investors, scared off by persistently high rates and the inherent instability of the government." Industrials led tha market lower, with Fiat L110 or 1.7 per cent down at L6,200 and Montedison losing L20 or 1.6 per cent at L1,201.

Pirelli fell L33 or 1.5 per cent to L2,316 after exceptionally heavy trading was reported on Seaq International in London on Monday, with 57m shares, or almost 4 per cent of the company's capital, changing hands. The London volume puzzled one analyst who noted that only 6.5m shares changed hands in Milan on Monday. He added that there was no fundamental reason for the stock's weakness.

A L61 or 8.6 per cent rise to L771 in Gaic was prompted by comments by the Ferruzzi Finanziaria chairman Mr Guido Rossi that Ferruzzi was considering a full bid. Ferruzzi fell L44 to L1,322.

ZURICH saw industrials marked lower because of the weak dollar before the malaise spread over to the banks and insurers. The SMI index gave up 33.1 or 1.3 per cent to 2,542.5.

Roche certificates fell SFr155 or 2.6 per cent to SFr5,680 as Credit Suisse downgraded the stock and trimmed its earnings forecasts, following Monday's nine-month sales figures. Goldman Sachs, which had already taken the certificates off its buy list, also reduced its 1994 earnings forecast to reflect the pharmaceuticals group's restructuring costs.

UBS slipped SFr15 to SFr1,275 ahead of today'a press conference at which, the board has said, it wants to answer various issues surrounding its battle for influence with BK Vision.

AMSTERDAM was weaker, with the AEX index settling down 2.94 at 405.50.

Nedlloyd, the transport group, was among the day's steepest losers, off Fl 2.90 at Fl 55.00, as Goldman Sachs in London lowered its 1994 profits estimate by 30 per cent to Fl 90m.

Mr Pierre Stiennon, an analyst at Goldman, commented that while the group had achieved savings in cutting its internal costs, its main external sectors – ocean shipping, European road transport and the Neddrill drilling subsidiary – were under pressure.

However, Goldman was maintaining its hold recommendation ahead of the company's third-quarter results due on November 30.

MADRID's domestic bond market reacted forcibly after a September budget deficit, and a December inflation forecast of 4.3 to 4.6 per cent; equities took in these, and the arrest in Barcelona of the financier Mr Javier de la Rosa, and the general index dropped 4.62 or 1.5 per cent to 296.69.

Mr Jerry Evans, European equity strategist at Klenwort Benson, noted that in addition to the macro influences, this was a market where banks and utilities, both vulnerable to falls in bond values, accounted for nearly three-quarters of the market's equity capitalisation. Banks, utilities and construction stocks were all weak yesterday, with BCH down Pta75 at Pta3,035, and Endesa off Pta140 at Pta5,570.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei ahead as Seoul continues record-setting rally

Tokyo

Small-lot buying by dealers and overseas investors supported share prices and the Nikkei 225 average ended higher for the first tima in three days, *writes Emiko Terazono in Tokyo*.

The index was finally ahead 34.11 at 19,992.40 after a day's peak of 20,020.60 and low of 19,946.99. Prices moved within a narrow range with most investors still cautious over the yen's fluctuations.

Volume came to 255m shares, against 200m. Activity remained low due to the rise of the yen. The Topix index of all first section stocks was just 0.19 firmer at 1,586.65 and the Nikkei 300 inched up 0.20 to 290.09. Declines led advances by 496 to 449, with 206 issues unchanged. In London the ISE/Nikkei 50 index put on 1.71 at 1,301.00.

Traders said some individuals moved to trade in the second section and in the over-the-counter market. Second section and OTC companies were expected to enjoy larger increases in earnings than large first section corporations. According to the Nihon Keizai Shimbun newspaper, pre-tax profits for OTC companies are expected to rise 32 per cent in the current business year.

Overseas investors traded in shipping companies. Some analysts were bullish about an historically low level of world surplus shipping capacity – 2.2 per cent of supply for last year. "We expect this to translate into significantly higher charter rates for most ship types," said Ms Kathy Matsui, a strategist at Goldman Sachs. Kawasaki Kisen, tbe most active issue of the day, finished Y7 down at Y409 after hitting the year's high of Y422.

Although higher gold prices helped mining and non-ferrous metal issues, profit-taking finally eroded the day's gains. Sumitomo Metal Mining was off Y15 at Y980 after touching a year's high of Y1,010.

The yen's strength prompted small-lot selling of high-technology stocks by foraign investors. Toshiba dipped Y10 to Y753, Matsushita Elactric Industrial Y10 to Y1,660 and Sony Y70 to Y5,880.

Reports of lower than expected profits depressed Honda Motor by Y40 to Y1,730. Isuzu Motors rose Y16 to Y528 on hopes of strong earnings, while other car makers were also firm, with Nissan Motor up Y7 to Y825 and Toyota Motor gaining Y10 at Y2,070.

In Osaka, the OSE average rose 16.47 to 22,326.31 in volume of 26.7m shares.

Roundup

Sentiment in the region stayed mixed. Sri Lanka was closed for a holiday.

SEOUL finished at another record high, but profit-taking eroded a sharp early rally that was prompted by the settlement of the US-North Korean talks. The composite index gained only 3.42 at 1,113.29 after posting an intraday all-time peak of 1,127.09.

Construction and trading shares were among the day's beneficiaries on hopes that they would be major gainers when relations with North Korea improve. The sub-index for the construction industry advanced 13.12 or 2.3 per cent to 595.71.

HONG KONG ended a sluggish session lower as investor confidenca continued to be eroded by the weakness of the dollar, nagging talk about the health of Deng Xiaoping, China's leadar, and tomorrow's local land auction.

The Hang Seng index slipped 37.37 to 9,418.57 in preliminary turnover of a low HK$2.38bn.

The China incorporated H-shares index fell 27.62 or 2.1 per cent to 1,316.94, having lost almost 45 points on Monday.

SINGAPORE eased, with retail sentiment dampened by talk of forced selling in Malaysian stocks traded over the counter. The Straits Times Industrial index closad 3.59 down at 2,383.98.

Sentiment ovar Malaysian stocks was also weakened by Malaysia's finance minister Mr Anwar Ibrahim, who told Malaysians not to expect too much from the October 28 budget statement.

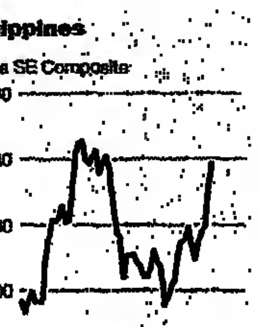
KUALA LUMPUR again reversed an early firm trend to close lower, pressured by forced selling in the afternoon. The composite index lost 7.38 at 1,118.74, having touched an early high of 1,128.47, but trading was slow, volume of 245m shares falling below Monday's 307m.

MANILA took its rally into a fifth day after San Miguel Corp reported a 40 per cent jump in its nine-month net. The composite index ended 42.81 up at the day's best of 3,092.95.

Index heavyweights attracted foreign and local investors on the hope that they will follow San Miguel's example. Volume expanded from 2.43bn shares to 3.49bn, but turnover was only slightly higher at 2.07bn pesos, against 2.01bn pesos.

Philippines

Manila SE Composite



Source: FT Graphite

SYDNEY faltered following the uneven session on Wall Street, the All Ordinaries index closing 10.7 lower at 2,003.4 in turnover of A$397.4m.

Resource issues fell by mora than industrials. News Corp finished a token 2 cents higher at A$8.40 as its chairman and chief executive Mr Rupert Murdoch talked of 50 per cent profits growth over the next two to three years at its annual meeting in Adelaide.

WELLINGTON lost its way and the NZSE-40 capital index closed at 2,052.41, down 13.98, in turnover of NZ$32.9m. Trading in Telecom accounted for one-third of overall activity, the shares receding a cent to NZ$5.29 in NZ$11.3m dealt.

TAIPEI buying centred mainly on foods, marines and steels, as the weighted index rose 24.30 to 6,755.53 in turnover of T$72.67bn.

In foods, President Enterprises and Weichuan Foods hit their daily 7 per cent limits at T$59.50 and T$36.40 respectively. Marines reflected improved prospects in coming months, witb Yang Ming Marine and U-ming Marine both limit up at T$39.50 and T$37.50, and steels rose on product price rises, with Feng An Metal limit up at T$66.50.

BOMBAY was lower in the absence of fresh buying support after ignoring Monday's deregulation of interest rates by India's central bank which many brokers said was favourable to the industry.

Computer problems prevented the calculation of the BSE 30 index, but brokers said that given the decline in prices the index would have shown a 25 to 30-point slide from Monday's 4,365.43.

JAKARTA waited for yesterday's listing of Indosat in the US, and the JKSE composite index eased 0.71 to 510.63.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 17 1994								FRIDAY OCTOBER 14 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	168.99	0.5	155.86	104.53	132.10	152.77	0.5	3.63	168.19	156.57	104.49	132.92	152.05	189.15	149.36	154.84
Austria (16)	197.45	1.6	172.89	115.94	146.53	146.48	0.5	1.10	184.45	171.71	114.59	145.77	145.74	198.89	167.46	180.87
Belgium (37)	172.12	1.6	158.75	106.46	134.55	131.31	0.3	4.20	169.42	167.71	105.26	133.89	130.86	177.04	149.33	152.61
Canada (103)	137.01	–0.3	126.37	84.75	107.10	134.46	–0.1	2.50	137.48	127.98	85.41	108.64	134.64	145.31	120.54	129.16
Denmark (33)	260.14	2.6	239.93	160.90	203.35	208.62	1.5	1.42	253.48	235.96	157.48	200.32	205.52	275.79	230.27	236.70
Finland (24)	157.13	2.1	151.82	121.93	154.10	151.72	0.7	0.73	192.98	179.65	119.89	152.51	190.42	197.13	116.85	120.96
France (101)	171.20	–0.3	157.90	105.89	133.83	138.63	–1.2	3.13	171.68	159.83	106.67	135.68	140.31	185.37	158.34	169.08
Germany (58)	147.05	0.5	135.62	90.95	114.95	114.95	–0.6	1.80	146.26	136.16	90.87	115.59	115.59	150.40	128.37	135.64
Hong Kong (56)	383.84	–1.0	354.02	237.41	300.05	380.80	–1.0	3.23	387.76	360.98	240.91	306.45	384.70	506.56	341.29	344.72
Ireland (14)	213.65	0.9	197.06	132.15	167.02	189.54	0.2	3.34	211.74	197.11	131.55	167.34	189.15	216.80	171.86	172.40
Italy (59)	79.50	0.9	73.32	49.17	62.15	91.31	0.1	1.72	78.81	73.37	48.96	62.28	91.24	97.78	57.88	70.69
Japan (469)	162.37	–0.1	149.76	100.43	126.93	100.43	–0.5	0.76	162.48	151.26	100.95	128.41	100.95	170.10	124.54	158.83
Malaysia (97)	*562.09*	–0.1	*518.43*	*347.67*	*439.40*	*553.15*	–0.4	*1.51*	*562.92*	*524.04*	*349.73*	*444.88*	*555.33*	*621.63*	*430.71*	*455.40*
Mexico (18)	2302.03	0.6	2123.19	1423.85	1799.45	8600.30	0.7	1.19	2287.50	2129.46	1421.15	1807.76	8542.26	2647.08	1696.28	1770.56
Netherland (19)	219.75	0.9	202.68	135.92	171.78	169.00	–0.1	3.42	217.78	202.74	135.30	172.11	169.25	219.75	157.01	194.29
New Zealand (14)	73.94	1.2	68.20	45.73	57.80	64.26	0.5	3.78	73.04	67.99	45.38	57.72	63.94	77.59	59.22	64.15
Norway (23)	210.24	0.7	193.90	130.04	164.34	186.95	–0.5	1.77	208.91	194.38	129.72	165.01	187.85	211.74	165.52	182.13
Singapore (44)	396.92	0.6	366.09	245.51	310.28	269.43	0.3	1.57	394.76	367.49	245.26	311.98	268.60	396.92	294.66	332.61
South Africa (53)	326.35	1.4	300.99	201.85	255.10	289.74	0.6	2.21	321.83	299.60	199.95	254.34	288.05	326.35	202.72	217.61
Spain (38)	144.99	0.9	133.73	89.68	113.34	137.33	–0.2	4.04	143.73	133.80	89.29	113.58	137.61	155.79	128.88	144.32
Sweden (36)	238.56	1.7	220.03	147.56	186.49	255.35	0.5	1.57	234.57	218.37	145.73	185.38	253.99	238.56	175.83	205.93
Switzerland (47)	168.95	0.4	155.83	104.50	132.07	131.20	–0.5	1.85	168.32	156.69	104.57	133.02	131.85	176.56	143.64	146.64
United Kingdom (204)	203.79	1.3	187.96	126.06	159.31	187.96	0.4	4.04	201.19	*187.29*	124.99	*159.00*	*187.29*	214.96	181.11	151.48
USA (515)	151.39	0.0	176.52	119.38	149.61	191.39	0.0	2.84	191.41	178.15	118.92	151.27	191.41	196.04	178.95	191.56
EUROPE (709)	175.67	0.9	162.02	108.66	137.32	151.60	–0.1	3.06	174.15	162.11	108.19	137.62	151.76	178.58	154.79	162.13
Nordic (116)	232.18	1.9	214.13	143.60	181.48	211.78	0.7	1.40	227.80	212.06	141.53	180.03	210.30	232.16	173.19	192.52
Pacific Basin (747)	171.70	–0.1	158.36	106.20	134.22	111.27	–0.5	1.08	171.85	159.95	106.76	135.81	111.80	176.86	134.79	160.81
Euro–Pacific (1456)	173.25	0.3	159.79	107.16	135.43	127.42	–0.3	1.83	172.89	160.76	107.29	136.48	127.82	175.14	143.86	161.24
North America (618)	*188.01*	*0.0*	*173.41*	*116.29*	*146.97*	*157.46*	*0.0*	*2.82*	*188.06*	*175.07*	*119.84*	*148.62*	*157.49*	*192.73*	*175.87*	*187.70*
Europe Ex. UK (505)	156.51	0.6	144.63	96.99	122.58	130.39	–0.4	2.47	155.84	145.07	96.82	123.15	130.98	159.12	135.94	143.15
Pacific Ex. Japan (279)	262.55	–0.2	242.15	162.40	205.24	233.56	–0.3	2.79	263.00	244.83	163.40	207.85	234.22	298.21	228.66	228.69
World Ex. US (1636)	175.15	0.3	161.57	108.35	136.94	131.25	–0.3	1.94	174.60	162.54	108.47	137.98	131.62	178.65	145.58	161.77
World Ex. UK (1947)	177.17	0.1	163.41	109.58	138.49	145.96	–0.2	2.06	177.00	164.77	109.96	139.89	146.32	178.59	155.96	168.67
World Ex. So. Af. (2092)	178.57	0.2	164.70	110.45	139.59	148.73	–0.2	2.26	178.22	165.91	110.72	140.84	149.02	180.03	158.54	170.47
World Ex. Japan (1683)	190.69	0.3	175.57	117.94	149.06	178.80	–0.1	2.88	190.06	176.93	118.06	150.20	178.89	195.20	178.34	181.54
The World Index (2151)	179.52	0.2	165.57	111.03	140.33	149.77	–0.2	2.26	179.14	166.75	111.29	141.57	150.05	180.80	158.85	170.69

Latest prices unavailable for this edition.

GRAND DUCHY OF LUXEMBOURG

Wednesday October 19 1994

In 1996, when the EU reviews its constitutional rules, there will be pressure to downgrade the influence of smaller member states, writes **David Gardner**

International gaze falls on mini-state

Luxembourg is a tiny, placid country, ostensibly content to drip with prosperity, exploiting its economic niche at the conjunction of France, Germany and Belgium, and punching above its weight as a founder-member of what is now the European Union.

But suddenly it is under international gaze, after its prime minister, Mr Jacques Santer, was vaulted unexpectedly this summer into the presidency of the European Commission, to succeed the powerful Mr Jacques Delors in the new year.

The Grand Duchy will need influence at the Euro-court. In 1996, when the EU reviews its power-sharing and constitutional rules ahead of planned integration of eastern Europe around the end of the century, there will be pressure to downgrade the influence of smaller member states – not to mention mini-states such as Luxembourg.

And ahead of that, EU pressure is already rising to persuade Luxembourg as a fast-growing financial centre to harmonise its low tax regime with its partners. Its powerful neighbours, led by Germany, resent the outflow of capital into the Grand Duchy, lured by its virtually zero withholding tax on foreigners and banking secrecy laws.

"I fear that the two issues will be linked, and that will be very difficult for us," acknowledges Mr Francois Biltgen, a parliamentary leader of the Christian Democrats, who have governed in coalition with the Socialists since 1984.

But more important than having Mr Santer in Brussels is the virtual certainty that he will be succeeded as Luxembourg's prime minister by Mr Jean-Claude Juncker, a tough and intelligent politician who is widely respected on the Euro-circuit.

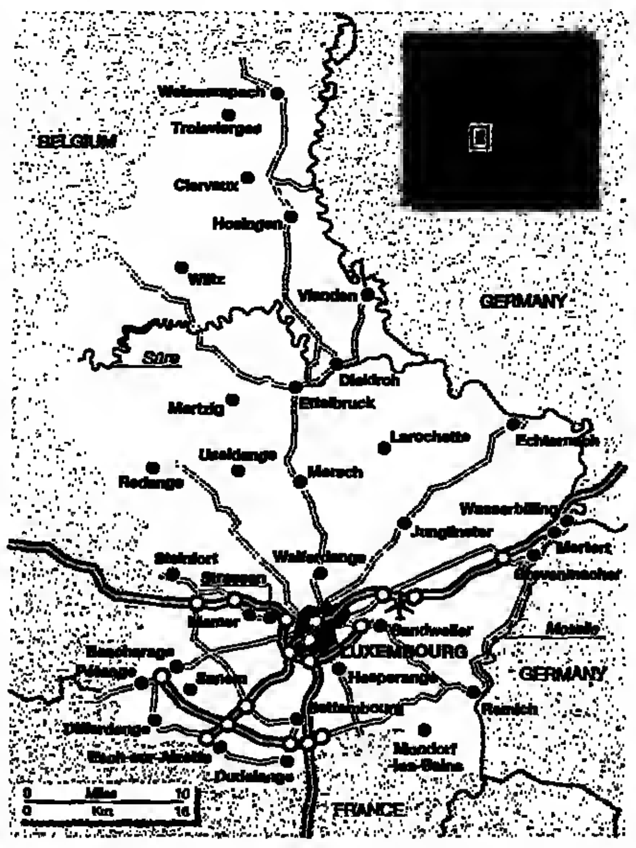
Mr Juncker, who at 39 will be the EU's youngest premier, is presently Luxembourg's finance and employment minister. He has won a high reputation among his peers by dint of intellectual ability, straightforward argument, and a gift for building consensus within the quarrelsome Euro-club.

Mr Delors himself tried hard to persuade Mr Juncker to join the Commission and, according to some insiders, once thought of him as his possible successor. Chancellor Helmut Kohl of Germany, a fellow Christian Democrat, affectionately calls Mr Juncker "Junior".

As finance minister, a portfolio he may well retain as prime minister, Mr Juncker has not shirked hard decisions. In recent years he has started reform of health insurance and last year completed an overhaul of taxation, reducing the burden on middle-income households and small to medium-sized companies, while keeping a tight grip on spending.

The ruling coalition has given Luxembourg an almost unbroken cycle of growth in the past 10 years, as well as political stability. Its planners now foresee national output rising by 3 per cent and more to the end of the century. Luxembourg is alone among its partners in meeting all the Maastricht treaty convergence criteria for economic and monetary union (Emu), notably through government debt at a mere 7.9 per cant of gross domestic product, and the budget in virtual equilibrium. At the same time, it manages to devote a high average of 10 per cent of public spending to capital investment in telecommunications, transport and energy.

Yet prudent stewardship of the public purse is but a small part of the explanation why Luxembourg has the highest per capita income in the EU. Dependent on the economic performance of its neighbours, it nonetheless consistently outperforms them; growth rates never turned negative during the recent recession, and unemployment, high by local standards at 3 per cent, remains at about a quarter of the EU average.



Luxembourgers have prospered by being abnormally fast to identify opportunities for their economy. This is all the more remarkable given that the Grand Duchy has surrendered many conventional tools of macroeconomic management. Control of exchange rate and monetary policy is vested in its 72-year-old economic and monetary union with Belgium and, by virtue of its geographic position at west Europe's heart, its frontiers were open long before the advent of the Single Market.

In the mid-19th century, Luxembourg was among the first to set up an advanced steel industry, the initial origin of its wealth. "It is a skill they have historically: to see a niche and go for it," says Mr Rodney Williams of Flemings, one of the largest managers of the flood of investment funds located in Luxembourg.

Through agility and inventiveness, the Grand Duchy has in more recent decades become: a pioneer of the Eurobond market; a launch-pad for the cable and satellite TV business; a leading personal finance centre through customised banking services and tax-efficient saving through investment funds.

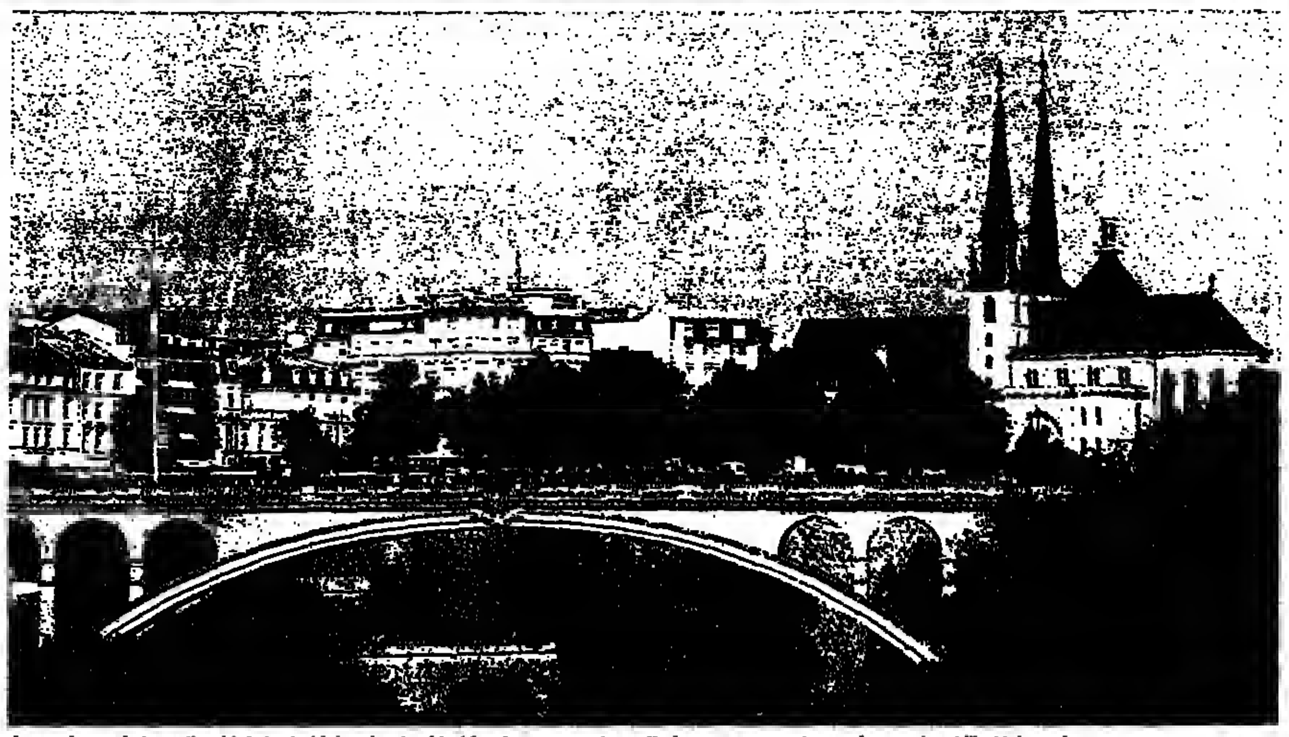
In the latter and other similar cases, Luxembourg enacted the new Euro-legislation on mutual funds (the USITS directive) well ahead of its competitors. The number of funds tripled between 1987 and the end of last year from 405 to 1,175, with the volume of investment rocketing from LFr1,135bn to LFr9,967bn.

"As a government, we introduce quickly and in advance," says Mr Juncker. But, he cautions, "as a small country we don't have the freedom to make mistakes. Every 10 years we have to invent something new, something which the others have not seen yet. And if you back the wrong horse you're dead."

The finance centre, generating 15 per cent of GDP directly and probably double that once ancillary services from lawyers to restaurants are added in, was definitely a good horse to back.

Bankers and politicians are divided on whether the German-led drive to enforce a withholding tax, and possibly even to erode the finance centre's other precious asset of banking secrecy, could seriously damage Luxembourg.

"The withholding tax is the first wall of the fortress, but the inner wall is [banking] secrecy", says one leading banker. But the signs are that the government is bracing for eventual tax harmonisation. "We have to behave in a manner so that we are prepared to live without the withholding tax," argues one senior minister. More cautiously, Mr Juncker argues that the finance centre is close to critical mass and must learn to trade on its skills and experience. "We are becoming richer and richer, but we are not more intelligent, we don't work harder, and we are no better than the others. We have to explain this to our people."



Luxembourg is targeting high-tech, high valued-added foreign companies, offering e generous tax regime and e skilled labour force — F Bach · Grittenson

Because of its partners' perception that Luxembourg gets rich by exploiting loopholes, the government is wary of betting too heavily on any one horse, and thinks ahead about diversification. For example, with an already dense network of small to medium-sized industry, Luxembourg is now targeting high-tech, high valued-added foreign companies, offering a generous tax regime along with its skilled, multilingual labour force.

"We're very vulnerable, and we've always needed more courage and imagination to defend our vital interests," Mr Juncker says.

He will also need courage and inventiveness to defend Luxembourg's position in 1996. As the Grand Duchy's political establishment sees it, the priorities are: to preserve the EU balance between big and small states; ensure that Luxembourg retains its right to a commissioner when the EU expands further; avoid too overt a correlation between country size and population and voting power in the EU's Council of Ministers; and, above all, to avoid all this getting enmeshed with the wrangle over withholding tax.

None of this will be easy, but the very fact that the EU had to resort to Luxembourg and Mr Santer to resolve the Delors succession crisis – after the UK vetoed Belgian premier Jean-Luc Dehaene at the Corfu summit in June – greatly strengthens the Grand Duchy's position.

"It is a sign that small countries make up an important part of the cement of the Union," says Mr Biltgen. "Just his being there wins part of the argument for [Luxembourg] having a commissioner." But altogether typically for a Luxembourger, he quickly adds that "we have to look for compromise solutions."

Political profile: Jean-Claude Juncker

Firm ideas on the Duchy's EU role

When Jacques Santer takes over as president of the European Commission in January, his successor as prime minister of Luxembourg will be Jean-Claude Juncker, a politician of calibre and intellect with firm ideas on Luxembourg and Europe, and on the Grand Duchy's place in the evolving Union.

Mr Juncker, currently wearing the two hats of finance and employment minister, will bring a change of style and, aged 39, an infusion of energy to the job. More private, tougher, and less of a glad-hander than the emollient Mr Santer, his main challenges will be to consolidate and develop Luxembourg's niche economy, and defend its unique position within the EU.

The news that Mr Juncker would succeed Mr Santer – still to be formally confirmed, as indeed is Mr Santer's endorsement by the European Parliament in December – has been welcomed in Luxembourg. In the June general elections, the young finance minister, who is also chairman of the Christian Social People's Party (CSV), the dominant partner in the Christian Democrat-Socialist coalition which has governed the Grand Duchy since 1984, out-polled all other candidates. This, moreover, was achieved in his native south, traditionally a Socialist stronghold.

He comes from the left of the CSV, and freely acknowledges that "I could be a Socialist in the Luxembourg context." One of the seven children of a steelworker and trade union militant, Mr Juncker trained as a lawyer at Strasbourg university, although his father had expected him to be a priest.

He only practised law for five months, however, before being hand-picked by Mr Pierre Werner, the then Luxembourg leader and pioneer of European monetary union, as secretary of the CSV parliamentary group, a sort of whip's job formerly held by Mr Santer. In 1982 he became a junior minister, joining the cabinet in 1984 aged 29.

The one setback in this seemingly effortless advance was a 1989 car crash which nearly killed him, but, in the judgment of one colleague, strengthened his personality and (lightly worn) religious faith.

Politicians from across the spectrum, bankers and businessmen unfailingly allude to Mr Juncker's intelligence, integrity and broad mind, although some see him as "a bit arrogant", as one foreign banker put it. Another leading banker says Mr Juncker's gift is "the ability to grasp very practical detail as well as conceptual problems."

This makes him rather like Jacques Delors, the outgoing European Commission president to whom he was close, and who two years ago tried to persuade Mr Juncker to go to Brussels to a "super-commissioner" job in charge of economic and social policy.

He has also shown himself capable of taking tough decisions, including recent reforms to Luxembourg's health insurance and tax systems, and his 1991 attempt, as chairman of the 12 finance ministers under the Luxembourg Euro-presidency, to cajole a compromise on the delicate question of indirect tax harmonisation.

In the EU, where he sits in two councils, he has a wealth of contacts and widespread respect. Chancellor Helmut Kohl, a fellow Christian Democrat whose peer he will now be, refers to him affectionately as "Junior". He is forthright and sometimes heterodox.

He is also a close observer of developments in partner states, especially in the Big Three of France, Germany and the UK and, according to colleagues, is not infrequently the forger of compromises between them. "There is no other way for Luxembourg but to have a good relationship with France and Germany and our other partners," he says.

In 1996, the EU will review the Maastricht treaty and its constitutional arrangements, looking to reform decision-making and tighten intra-Union links before expanding further into east and central Europe. The apparent anomaly of a mini-state such as Luxembourg having almost equal rights with big nations, with a veto and a commissioner in Brussels, will be open to debate, along with the feasibility of a "multi-speed" path to EU integration.

Before then, pressure will grow on Luxembourg to impose a withholding tax on investment income. Powerful neighbours such as Germany believe the lack of such a tax for foreigners gives Luxembourg's finance centre an unfair advantage, attracting walls of "their" money.

The fear is that opponents of the Grand Duchy's fiscal regime will link the withholding tax issue to Luxembourg's rights within the Union.

"One of the founding principles of post-war Europe," Mr Juncker argues as a leader of one of the founding nations of the Euro-club, "is that we have the same rights." He acknowledges, however, that as a small state, "we can't make full use of those rights. We could use the veto maybe once every 10 years; everyone knows that Britain, France and Germany will always have greater rights."

But while relaxed about a dilution of blocking powers, Mr Juncker is adamant that "we can't accept a system in which Luxembourg didn't have a commissioner." That danger has for the moment receded, with Mr Santer at the helm in Brussels, and his successor is more worried about the "multi-speed" Europe debate sparked off last month by the German Christian Democrats.

He reasons that political union must be deepened in 1996, and that the opt-outs from Maastricht on monetary union (Emu) and social policy given to the UK have set a damaging multi-speed precedent. He believes "our social ambition is too low in comparison to our other ambitions", for Emu and a common foreign and security policy (CFSP) and eventual common defence.

He does not want to see the existing 16 members – assuming Austria, Sweden, Finland and Norway join in January – split up, with a so-called hard-core going ahead faster. Luxembourg, the only EU member now within the Maastricht debt, deficit and inflation criteria for Emu, would certainly be in the first wave towards a single currency.

"It would be easier for seven or eight members to go on together as a hard-core," he says, "but not in the really hard [policy] fields, such as defence," Mr Juncker argues. Moreover, he does not want to see the UK, or the southern states, falling out of the Euro-convoy. A hard-core "would make it very difficult to bring the British back to the centre of Europe," he says, adding: "For all the differences we have with the UK, it *is* a part of Europe, and it brings a dimension to Europe which I'm not prepared to lose."

On the tax issue, Mr Juncker says: "We are no longer in the blocking field but in the proposing field." Luxembourg has argued that s withholding tax harmonisation should extend to other OECD countries such as Switzerland and Austria, in order to prevent a capital outflow from the Union. But it is widely assumed that Luxembourg'a new prime minister will start preparing for the time when the finance centre will no longer have the tax advantage, through policies which exploit other skills and advantages.

"Juncker is the man to shake Luxembourgers out of their complacency," judges a local journalist. The prima minister-in-waiting himself says: "We have to concentrate on the objective advantages we can offer. It'a not wise to concentrate on the tax difference."

David Gardner

Political profile: Jup Weber

Green with ambition

Mr Jup Weber, the first Green that Luxembourg has sent to the European Parliament, is a man of ambition who would like to work himself out of a job, at least a political one, writea David Gardner.

"I said 10 years ago that my dream was that in 10 years' time we wouldn't be necessary any more. But the fact is that we are still very, very necessary," Mr Weber says.

Before he retires from the fray, he can envisage an eventual stint as environment minister in one of the coalitions that habitually govern the Grand Duchy, none of which have yet extended to ecologists.

Mr Weber, a genial 44-year-old forestry engineer, first won election to Luxembourg's national assembly in 1984 as part of the first wave of ecologists entering parliament across Europe, or at least the more prosperous and environmentally aware northern parts.

It is not difficult to see why Luxembourg – the richest European Union country on a per capita basis and the only country in the Union where growth did not turn negative in the recent recession – should feel it can afford a green conscience.

But this is not to deny the achievement of Mr Weber as that conscience's main expression, particularly in unifying the fissiparous Green constituency in the Grand Duchy around his own pragmatic, or "Realo", faction.

The Greens, along with the Christian Democrats and Socialists – who have formed three snccessive government coalitions since 1984 – and the Liberals, can now lay claim to be mainstream players in Luxembourg politics. Indeed, the Luxembourgeois Greens, polling some 12 per cent in the Grand Duchy's national and European elections last June, got the best score of any environmental party in the Union.

This reflects not only the comfort of prosperity, but acute ecological challenges facing Luxembourg which, as a micro-state at the junction of France, Germany and Belgium, has only a loose grip on environmental levers.

Citizens fret about motorways and waste dumping, greenhouse gases and the ring of their neighbours' nuclear power plants surrounding them.

The already extensive motorway system is being extended and widened, partly to ease the congestion caused by high per capita car ownership and the flood of foreigners who commute to work in Luxembourg – but also, it seems to many residents, for the banefit of through traffic and road freight which just uses Luxembourg as a motorway.

There has been virulent local opposition to a new waste recycling plant planned for Mamer near the border with Belgium. Because of its tiny size, Luxembourg traditionally exported its waste to neighbours for recycling, but it is bowing to EU pressure for waste management close to source.

Luxembourgers worry about amissions from their steel industry, the original source of their wealth, which even in much-alimmed-down form makes their country the highest per capita producer of carbon dioxide into the atmosphere in the EU, at more than four times the Union average.

The link between Arbed, the large Luxembourg steel manufacturer, and imported nuclear-generated electricity, is one of Mr Weber's particular bete noires.

Arbed, as part of its restructuring, is converting to electric arc furnaces and will be buying in electricity from Belgian and French nuclear plants, including Cattenom, just over the French border and 25km from where Mr Weber lives in Junglinster.

The Green leader sees this as long-term endorsement of the nuclear power option – with the difference that Luxembourg has no regulatory control over the actual plants producing the electricity. Instead, he wants gas turbine plants built inside Luxembourg.

"I can see being environment and energy minister in five to 10 years time," he says confidently, "and going to Paris to ask them to close it [Cattenom], and being told, quite correctly, that Arbed depends on it."

Another of Mr Weber's prime targets has been the Grand Duchy's petrol prices, significantly below EU rates because of minimal excise taxes.

He wants an end to the "scandalous gasoline tourism" this generates through drivers filling up in the Grand Duchy.

In the June alections, the Greens called for immediata equalisation with neighbouring petrol prices, and then incremental tax rises thereafter. Opponents painted this as a price quadrupling, which "cost us two aeats in the Luxembourg parliament," Mr Weber claims.

Yet he believes that an important battle was won, because he is convinced that when Mr Jean-Claude Juncker, the current finance and labour minister, takes over as prime minister in December, eco-taxes on petrol and non-recyclable packaging and containers will gradually be introduced.

"I've been preaching for 10 years that we should have eco-taxes, and now they're going to do it," Mr Weber predicts confidently.

Scaremongering did not prevent the Greens winning their coveted seat in the European Parliament, which Mr Waber regards as "a fantastic instrument for international networking."

He has long advised the Green group at Strasbourg on forestry conservation, and will now be working with the parliament's environment, agriculture, and external economic relations committees.

Mr Weber, trained as a forestry engineer at the University of Vienna and with a background in Luxembourg'a own forestry administration, has combined politics with half-time work for his own consultancy, presently engaged in pilot forestry management projects in Siberia and Canada.

Luxembourg law defines an MP's role as a half-time profeasion requiring an average 20 hours a week; "a very good system for avoiding addiction to politics," Mr Weber smiles, and one he intends to continue as an MEP. "I'm involved in a fascinating project in Siberia and I'm not going to give that up," he says firmly.

He has already given an earnest indication of his independance at Strasbourg, annoying his fellow Euro-Greens by being the only one of their number to vote in July for Mr Jacqnes Santer, the ontgoing Luxembourg prime minister, as successor to Mr Jacques Delors presiding over the European Commission.

"I had fierce problems," he recalls, "but I too was annoyed with their argument that a small country equals a weak president." For a Luxembourg Green, small is beantiful, but – as the ecological challenges which the Grand Duchy faces demonstrate – it is also problematic.

MEDIA ENTERPRISES

Liberal attitude to broadcasting

Ever since Mr Rupert Murdoch, the broadcasting and newspaper mogul, avoided UK regulations on media ownership by registering his Astra satellite in Luxembourg, the Grand Duchy has enjoyed a certain notoriety as a base for media enterprises.

Through the television and radio broadcasts of Compagnie Luxembourgeoise de Telediffusion (CLT) and the satellite dishes of Société Europeen des Satellites (SES), Luxembourg is responsible for broadcasts to more than 50m Europeans.

This is largely thanks to a very deliberate strategy adopted by the Luxembourg government to encourage the development of the media industry. As early as 1931 it decided to allow a private company, Compagnie Luxembourgeoise de Radioffusion (now CLT) to broadcast from its territory, rather than creating a public sector broadcaster for its tiny population.

On the other hand, and in spite of the government's attempts to encourage the broadcasting industry, it would be wrong to exaggerate Luxembourg's importance as a media base.

But the media is an important sector of the Luxembourg economy. Perhaps the biggest attraction for incoming investors has been the Grand Duchy's traditionally liberal approach to broadcasting, in contrast to the highly regulated media industries common across the rest of the European Union.

According to private operators, key government ministers are available to answer questions and resolve problems in person, all of which reduces bureancracy and leads to speedy decision-making, often tailor-made to suit the needs of a specific project.

"Luxembourg is small enough to provide you with a very instant access to all of the decision makers in this country," says Mr Yves Feltes, of SES. "In a new venture like SES, the support of the Grand Duchy has proved to be very valuable."

Ms Karin Schintgen of CLT adds: "It is very important to have the backing of governments, especially when you consider that in many countries the media is a political issue."

Although it is small, the Grand Duchy enjoys sovereign status which means that along with the rest of Europe, it has been granted an allocation of satellite frequencies.

In 1983, the government granted a franchise to private investors to use the satellite frequencies allocated to Luxembourg, which led to the establishment of one of the country's greatest successes, the Astra satellite project.

SES, the franchise holder, created Europe's first privately-owned television satellite system. Today, according to government figures, 55m households all over Europe can receive a selection of 50 television channels and an even greater number of radio programmes either directly to their homes with a satellite dish, or through cable systems.

At the end of this month, SES hopes to launch its fourth dedicated television satellite. It will be capable of transmitting 16 channels of television using analogue technology plus two transponders set aside for experimenting with digital television. There will also be 40 transponders designed to provide back-up if any of Astra's existing three satellites should fail.

The liberal environment has bred another well-known European successes. CLT is now involved in 10 television channels and 13 radio stations across eight different European countries, mostly under the RTL logo. In addition, it has become involved in rights acquisitions, film productions, co-productions and other press activities.

"We feel that being based in Luxembourg has been an asset for the European expansion of the group," says Ms Schintgen. "It is much easier to be European when you are a Luxembourger. Luxembourg is somehow in between cultures. The key to success is to stay close to your audiences and you can only do that if you understand them.

"From here you have a pretty good understanding of what French culture means, and also of what the German culture means," she adds.

Meanwhile, the Luxembourg government is doing its best to encourage the media industry to diversify. In particular, it has focused on production companies.

Since 1988 it has offered special tax incentives for film-makers, aimed principally at producers of TV drama series.

To begin with the strategy had only a mixed success. While more money than expected was spent in the country by mainly small operators, few producers put down roots. Many producers simply made their films and then left, contributing nothing to the industry's infrastructure.

Since the early 1990s, the law has been changed to put a greater emphasis on attracting indoor studio filming.

"The government has tried to encourage investors not only to come to Luxembourg, but to invest in the infrastructure too," says Mr Pierre Goerens, of the audiovisual department of the government. This is gradually paying off."

According to the government, the policy has had significant spin-offs including the establishment of 23 production companies, three animation studios, four production and three post-production studios.

Emma Tucker

Simon Gray reviews the political scene

Santer departure ends log-jam

The impending elevation of Mr Jacques Santer from prime minister to the presidency of the European Commission has given a much-needed injection of stimulation and vigour to a Luxembourg political scene which in recent years has been not so much sleepy as comatose.

It is now just over 10 years since Mr Santer led his Christian Social People's Party (CSV) into coalition with the Luxembourg Socialist Workers' Party (LSAP) of Mr Jacques Poos, the deputy premier and minister of foreign affairs.

Through economic boom, downturn and recovery, through the European Single Act and the Maastricht treaty, and now through three general elections, the two leaders and their parties have been locked in a cosy embrace.

So small was the impact of the latest election in June that the new government formed in July comprised the same people – five men and one woman from each party – who had been members of the outgoing administration. The only changes were the redistribution of a few portfolios and the promotion of a Socialist secretary of state to full minister.

The election saw the CSV maintain its position as Luxembourg's biggest party – a position it has enjoyed since the second world war, with 21 seats out of 60. The LSAP won 17 seats and the centrist opposition Democratic Party (DP) 12, while an alliance of Green parties and the populist ADR group won five each.

Apart from a brief period immediately after the war, Luxembourg governments have been formed by the CSV in coalition with the LSAP and the DP on an alternating basis. The only exception was between 1974 and 1979 when a DP-LSAP government headed by Mr Gaston Thorn, later a European Commission president, pushed the CSV into a rare period of opposition.

Today, though, the habit of alternation seems to have broken down. Not only is the present coalition now in its third five-year term – a record period – but its progress has been largely untroubled by squabbling between the two partners: previously a tradition, especially for so-called "grand coalitions" between the socially conservative and economically moderate CSV and the left-leaning LSAP.

Ten years of co-habitation has smoothed many of the ideological rough edges of the coalition, such as they exist.

The fact that both coalition partners have close links with a wing of the trade union movement helps – Mr Jean Spautz, CSV interior minister, and Mr John Lahure, LSAP health minister, came into government from full-time union positions. But the political balance has been thrown into question since Mr Santer, 57, emerged as a compromise candidate to head the EU Commission after Britain's veto of Mr Jean-Luc Dehaene, the Belgian premier. His departure for Brussels promises to spark a wholesale change across the political spectrum.

Mr Santer's successor, subject to confirmation by a CSV party congress in December, will be Mr Jean-Claude Juncker, 39, the finance minister, who is the second-youngest member of the government.

> New blood is needed. The CSV ministerial ranks appear somewhat jaded

The youngest minister is Mr Alex Bodry, 36, the LSAP defence minister, who is himself widely tipped as a future leader of his own party if, as many observers believe, Mr Poos, 58, soon decides to call a halt to his ministerial career.

And the opposition now has a young face since the DP reacted to its third consecutive election set-back by replacing Mr Charles Goerens, its president, with the popular and photogenic mayor of Luxembourg City, Mrs Lydie-Wurth Polfer, 42, on November 22.

This development reflects the popular vote in June, which seemed to indicate desire for a change. Mr Santer won fewer personal votes than Mr Juncker in the European Parliament poll throughout the country, and he also trailed Mrs Wurth-Polfer in the central district vote for the national parliament. In the southern district, Mr Bodry came within a few hundred votes of his party leader.

The CSV might just use the reshuffle entailed by Santer's departure to bring more young talent into government. New blood is sorely needed, for the CSV ministerial ranks have a somewhat jaded look. Mr Santer has been a member of the government for 17 years, Mr Fernand Boden has been family minister and Jean Spautz has been interior minister for 15 years, and Mr Marc Fischbach has been education minister for 10. For all his relative youth, Mr Juncker will shortly complete 12 years in office.

That is the kind of problem the DP can only dream of. The party, which combines a liberal social philosophy with free-market economics, long played the same kind of pivotal role in government as Germany's Free Democrats.

Since 1984, however, the party has found itself shut out of government by the grand coalition and – like the FDP – has struggled to offer a discernible alternative to rivals which are increasingly fighting over the centre ground.

Mrs Wurth-Polfer now has the job of articulating and communicating a distinctive character and message for the DP – no easy task, but a crucial one. Few observers believe the party could survive a fourth election defeat, at least in its present form.

One factor which has made life difficult for the traditional opposition is the rise of single-issue politics. This first made an impact in 1979 when the leader of the Enroles de Force, Luxembourgers conscripted into the German armed forces during the 1940-44 occupation, was elected to parliament in a (successful) bid to win better social security treatment.

In 1989, a group calling itself the Five-Sixths Pensions Action Committee won four seats in the Chamber of Deputies on a platform consisting principally of a demand for the upgrading of private-sector pensions to match those of public employees, who on retirement receive five-sixths of their final salary.

Despite efforts by the coalition to defuse the issue with new provisions for private-sector pensions, the group returned to the election fray this year, now calling itself the ADR (Action Committee for Democracy and Pension Justice), and won a fifth seat in parliament.

The Greens, too, have benefited from dissatisfaction with the traditional parties, building up their parliamentary strength from two seats in 1984 to five this year despite turbulent internal politics which split the movement in two separate parties for 10 years.

Environmental consciousness has grown strongly in Luxembourg over the past decade, and the party has benefited from controversial issues such as the nuclear power station at Cattenom, just over the French border, which helped the Greens win a first-ever seat in the European Parliament this year. The party, which is in the process of reuniting, has ambitions of entering the government in five years' time.

The rise of the Greens, along with the collapse of the communist system in eastern Europe, also spelled the effective demise of Luxembourg's Communist Party, which as recently as the early 1970s had five members of parliament but lost its last remaining seat in June.

GRAND DUCHY OF LUXEMBOURG IV

Simon Gray reports on industry and the economy

A grudging declaration of victory

This summer, Luxembourg's *Industry Federation*, Fedil, somewhat grudgingly declared victory in the battle against recession. Order books were filling and margins improving, the federation conceded, although it cautioned that the recovery would not be fully evident until 1995.

Why the reluctance? For Fedil, the downturn has been a useful stick with which to beat the government for what the industrialists see as its failure to tackle the structural problems of the Luxembourg economy, which they view as a threat to the country's long-term competitiveness.

To drive home the point, the federation sent an elegantly-produced "memorandum" to the 60 MPs elected in the June 12 general election, entitled *The Economic, Social and Environmental Policy Stakes*.

The document called for a series of measures to assist economic development in general and industry in particular, including a reduction in the overall level of corporate taxation, greater state assistance in cash and kind for the creation of new enterprises, the abolition – or at least modification – of the automatic system of salary indexation, and greater flexibility in employment regulations.

At the top of the hit-list of Fedil and other employers' groups is the cost-of-living indexation of salaries, which they say fuels inflation and keeps Luxembourg producers at a disadvantage vis a vis competitors abroad.

"We must stimulate the spirit of enterprise and entrepreneurship," says Mr Marc Assa, the federation's president. "The enterprise is the basis of a nation's prosperity and well-being, and we must not allow this reality out of our sight."

For years, Fedil has been arguing that unless the authorities take action, Luxembourg risks the displacement of its industrial activity to countries with lower costs. But the trend in industrial investment seems, if anything, to belie that.

Certainly, Sommer Allibert, the French industrial group of which Mr Assa is chief executive, does not seem worried about Luxembourg's future competitiveness. In September, the group inaugurated two new factories at Eselborn in northern Luxembourg to manufacture vehicle components and floor coverings, an investment totalling nearly two billion francs.

Steel producer Arbed is resurfacing after a big downturn

Mr Assa used the occasion to announce that Sommer had decided to invest a further billion francs in the Grand Duchy for the development and introduction of new products geared to meeting tougher European environmental standards, as well as the creation of a research and development centre.

This decision, he noted, was due in part to the advantageous economic environment.

Although no new large-scale, multi-billion-franc projects have been announced in Luxembourg recently, several have come on line, such as Guardian's automotive glass products facility near Grevenmacher in the east, or are being implemented, such as a toy factory for the US Rubbermaid group in Differdange and a wood products plant for Austrian company Kronospan in Sanem.

The jobs created by the American and Austrian investments, in an area of southern Luxembourg which 20 years ago was almost entirely dependent on the steel industry, illustrates the success of the policy of industrial diversification pursued by successive Luxembourg governments.

The policy, backed up by extensive construction of infrastructure and a package of tax incentives, has been aimed at small projects as well as large, and made the Grand Duchy an exporter of composite materials for Formula 1 cars and of Japanese mushrooms as well as of glass, aluminium foil and videotapes.

Meanwhile, Luxembourg's steel producer, Arbed, is resurfacing after a big downturn which brought group losses of LFr5.7bn last year. The group now says it hopes to be back in the black for 1994.

In the early 1970s, Arbed employed more than 27,000 people in the Grand Duchy. By the end of 1996 this figure will be nearer 6,000. But the company is in the middle of a LFr18bn modernisation programme which involves the installation of electric arc furnaces and continuous casting facilities at three Luxembourg sites and one in Thuringia, Germany.

The group's confidence was emphasised earlier this year by its decision to acquire a controlling interest in the struggling Bremen-based Klöckner Stahl through its Belgian subsidiary, Sidmar of Ghent. The deal makes Arbed Europe's third-largest steelmaker after France's Usinor-Sacilor and British Steel.

The steady increase in employment has slowed in the past two years

Arbed's steady shedding of manpower has been achieved without any significant increase in unemployment. The jobless total peaked in January at some 4,800 and now seems to have stabilised at about 4,000, some 2.4 per cent of the workforce. That figure is double the average unemployment figure as recently as 1990, but it must be set against an increase in total employment between 1990 and 1993 of some 19,000 jobs.

Of the total 187,000 employees in March 1993, more than 47,000 were cross-border commuters from Belgium, France and Germany. Together with resident non-Luxembourgers, foreigners have accounted for a majority of jobs since 1992 and last year they occupied nearly 53 per cent of jobs.

The steady increase in employment (or at least of foreigners – the number of Luxembourgers has been falling in absolute terms since 1991) has slowed in the past couple of years, reflecting an economic downturn which bottomed out at 0.3 per cent growth last year.

Only in the first quarter of 1993 did the economy actually contract – by 0.3 per cent.

The official forecasts of growth of 1.5 per cent this year and 2.6 per cent next are already being overtaken. Mr Jean-Claude Juncker, finance minister, presenting his draft 1995 budget to parliament in September, said he was calculating on growth of 2.9 per cent.

The downturn has left its scars, however. The number of bankruptcies has risen from 100 in 1991 to 233 last year and 125 in the first four months of this year.

But there is at least one sector where recovery is already being celebrated. Commercial property, which was the first to hit the doldrums, now seems well set to grow. According to property brokers Jones Lang Wootton, the amount of empty office space fell by about 35 per cent last year as demand picked up.

Office blocks which stood empty for months are filling up as firms, particularly in the financial sector, take the plunge into new premises. New developments are under way in the Luxembourg City suburbs of Kirchberg and Gasperich, and a business park near the city's airport is now full, practically to the last square metre.

The insurance sector is expecting growth, writes **Simon Gray**

New era of opportunities

Last year was an excellent one throughout Luxembourg's insurance and reinsurance sector, the Grand Duchy's Insurance Commission was able to report in October in its annual survey of the market.

The completion of the single market in insurance – with the implementation of the European Union's third generation life and non-life directives, which took effect on July 1 – now offers Luxembourg the opportunity to become a centre for the cross-border life insurance industry, the authorities believe and hope.

"The life business has developed tremendously well over the past couple of years," says Mr Victor Rod, the Insurance Commissioner, who is admired by players in the cross-border market for his vision in creating a hospitable legislative, regulatory and fiscal environment for the sector. A decade ago he took similar steps to create a captive reinsurance industry in Luxembourg.

Many industry players believe Mr Rod is onto another winner. At the last count, about 20 "dedicated" cross-border life insurers were selling products on a pan-European basis, along with seven domestic insurers also active on a cross-border basis.

By contrast, the Dublin International Financial Services Centre, widely perceived to be Luxembourg's main rival for pan-European business, had four companies, although both centres have more applications in the pipeline.

Even under the EU's Second Life (Services) Directive, a half-way house on the way to the single market which allowed companies to sell products cross-border to customers who asked for them, freedom of services (ie non-domestic) business made up 71 per cent of all life premiums received by the industry in 1993.

The new era will mean changes in the local Luxembourg market

The new era will also mean changes in the local Luxembourg market, which is dominated by two large domestic insurers and the subsidiaries or branches of Belgian, French, German and Swiss companies. Instead of the Commission setting prices and conditions for the industry, companies will be free to decide their own – perhaps to the benefit of the long-suffering Luxembourg consumer.

In fact, Luxembourg is one of the EU countries which have not yet passed the so-called third generation insurance directives into national legislation, in large part because of disruption caused by a general election in June and the subsequent formation of a government, followed by the country's traditional summer hiatus. The legislation is scheduled to go through parliament in November.

According to Mr Rod, Luxembourg offers an "unbeatable combination" of advantages as a life insurance centre – the existence of the banks and investment funds, fund management skills, a central location, the linguistic abilities of Luxembourgers and other residents, strict confidentiality rules which match those applying to banks, and the lack of any premium or capital tax. All those advantages are available elsewhere, he says, but not in one single place.

All areas of the Luxembourg market – life and non-life, domestic and international, direct insurance and reinsurance – enjoyed growth in 1993, according to the Commission. At year-end the sector comprised 73 companies, but four new life companies have opened since then.

Non-life premiums rose 18.12 per cent to LFr24.4bn, while life business grew 40.4 per cent, to LFr20.4bn, of which LFr14.6bn consisted of cross-border business. This growth compares with an increase of 146.3 per cent in life premium income in 1992, the first year in which pan-European business represented a substantial proportion of the total.

Two companies dominated cross-border business last year and will continue to do so in 1994. PanEuroLife, established by France's UAP group and the Banque Internationale à Luxembourg, had premium income of some LFr6.3bn in 1993 and expects to exceed LFr10bn this year.

Lombard International Assurance, whose shareholders include Standard Life, Europe's largest mutual life assurance company, and Aberdeen Trust from Britain and Switzerland's InterAllianz Bank, notched up £81m (LFr4.25bn) last year, and Mr Andrew McKinna, marketing director, says the company is on course to meet its 1994 target of £150m.

Lombard's target is the so-called "grey panther" – the growing market of medium-rich Europeans which is also the focus of Luxembourg's private banking sector. "Life insurance enjoys an advantage over banks and investment funds," says Mr McKinna, "because it offers open tax benefits in our target markets" – Germany, Britain, the Benelux countries, Sweden and increasingly France.

Mr McKinna says Lombard would be happy to see more competition because it would demonstrate the maturity of the sector – and would help to attract new customers to all market players. It looks as though he won't have too long to wait.

A new wave of companies is now making plans to enter the market, with British institutions to the fore. Scottish Equitable and CMI have publicly declared their intention to come to Luxembourg; Norwich Union and Scottish Provident International have made no secret of their interest.

There's more to come, according to Mr James Ball, whose consultancy firm, JBI Associates, specialises in the insurance sector. "Since July 1 there has been great interest from the United Kingdom which was not there before," he says. "There's hardly a company there which is not in the marketplace. But German companies are showing interest too."

So are local ones. Le Foyer, Luxembourg's largest domestic insurers, has already ventured into the cross-border market by selling products to Danish expatriates. A change in the law curtailed that business, but François Tesch, managing director, says the company is seeking foreign partners and is devoting a third of its resources to foreign projects.

Some 20 more applications are likely to be approved

Somewhat overshadowed these days by the more glamorous life business, Luxembourg continues to expand its role as a centre for captive reinsurance business, first welcomed in 1984 at the urging of Swedish companies which were forbidden by their national authorities to establish captives in offshore jurisdictions such as Bermuda.

The reinsurance sector numbered 201 at the end of August thanks to a sudden burst of expansion, with 19 new licences being delivered since the beginning of this year. According to the Commission, some 20 more applications are likely to be approved in the coming months.

The reinsurance sector, which until recently was dominated by Scandinavian, French and Belgian companies, collected premiums totalling LFr65.2bn in 1993 and at year-end had accumulated technical provisions totalling LFr153bn (up 42 per cent in two years) under rules which allow reserves of up to 20 times premium income to be sheltered from corporate taxation.

Mr Rod believes that prospects for growth in the reinsurance sector are limited now because most of the multinational groups which meet Luxembourg's stringent criteria for the establishment of captives are already represented here. But a wave of interest from German groups, with five new companies set to be established this year, may persuade him to revise his view.

FINANCIAL TIMES SURVEY

NORTH AMERICAN BUSINESS LOCATIONS

Wednesday October 19 1994

The race is on to expand operations in a trading area which, thanks to Nafta, has 360m consumers. **Martin Dickson** examines the prospects

Motor industry sets pace for investors

There is no more clearcnt illustration of the importance of North America as a business location for European and Asian corporations than a string of recent investments in the motor industry.

Toyota, the largest Japanese vehicle manufactnrer, announced recently that it would be raising its vehicle production in the region by nearly 50 per cent over the next two years, taking its total output from 533,000 units to 790,000 a year.

The increase will come from its existing manufacturing plant in Kentucky, where it has already put in place the necessary extra production capacity; from New United Motor Manufacturing, its California-based joint venture with General Motors; and from Toyota Motor Manufacturing in Canada.

In July, Honda, Japan's third largest carmaker (and the first to establish a manufacturing presence in the US, in the early 1980s), announced that it planned an 18 per cent increase in North American vehicle capacity over the next three years and a 50 per cent boost in engine-making capacity by 1998. Again, the expansion will take place at its existing factories in Ohio and Ontario, Canada.

The Japanese companies want to increase their US output partly because the rise in the value of the yen, relative to the dollar, has made it uneconomic to import many vehicles from Asia, and partly because Tokyo is under strong US pressure to reduce its trade imbalance with America.

But they are hardly alone in their expansion plans: over the past two years two German luxury car manufacturers – BMW and Mercedes-Benz – have both announced plans to locate in the US, their first manufacturing plants outside Germany. BMW has built a factory in South Carolina, which produced its first vehicles last month, while a Mercedes plant is going up in Alabama.

Both have been lured by America's relatively low labour costs (partly a function of dollar weakness), by the skills of its workforce, and by the competitive edge they hope they will gain from being direct participants in the world's most cut-throat vehicle market, and one of the most innovative. Like the Japanese, their new US production will be aimed both at domestic consumers and at the export market.

The increasing motor industry investment is being replicated in many other sectors, and for broadly similar reasons: no company seeking a global presence can ignore either the size or fiercely entrepreneurial character of the US market.

For the US remains by far the world's largest market speaking a single language, while this year's implementation of the North American Free Trade Agreement has created a trading area, also embracing Canada and Mexico, of more than 360m consumers. Nafta is starting to have a significant impact on location decisions.

Chrysler is building a new $300m vehicle assembly plant in Mexico, and analysts expect employment in the nation's motor industry to rise from 160,000 today to 210,000 by 1998.

Foreign direct investment in the US grew remarkably in the 1980s. This was partly through the start-up of greenfield plants, notably from Japanese car manufacturers, but much more so through the takeover of existing US companies. Direct foreign investment grew from $83bn in 1980 to $403.7bn in 1990.

In the late 1980s and early 1990s the growth rate dropped sharply, due to recession and to alternative investment opportunities opened up by the economic integration of western Europe, the collapse of the Soviet empire, an economic boom in several Pacific Rim nations and an improved economic climate in Latin America.

Foreign spending on acquiring or establishing US businesses totalled $15.3bn in 1992, down roughly 45 per cent on the previous year and the fourth consecutive year of decline. It was the lowest total since the $8.09bn in 1983.

However, over the past 18 months there has been a distinct revival in US inward investment. Expenditure in 1993 bounced back to $26.2bn, while total foreign direct investment, at historic cost, reached $445.9bn.

This year has seen a flurry of European takeovers or sizeable investments in US companies, including a $5.3bn cash bid by Roche of Switzerland for drugs company Syntex and a $2.3bn offer by SmithKline Beecham for drug wholesaler Diversified Pharmaceutical Services.

But where in North America should a foreign company locate its operations? For those acquiring or expanding a US presence through a takeover, there is little choice: you set up shop where the acquired company has its facilities.

But those companies establishing a greenfield presence, or thinking of changing their existing North American locations, face a complicated trade-off involving, among many factors: the type of business they are engaged in; the markets they are seeking to serve; the type of labour force they need to attract; relative wage/real estate/utility and cost-of-living expenses; transport and other infrastructure requirements; and available government incentives.

Despite this wide range of variables, some broad trends can be identified.

One of the most significant is the growth of financial assistance packages over the past few years as US states and municipalities try to woo businesses. Jim Schriner, of PHH Fantus Consulting, a leading business location advisory group, says: "The incentive market is very hot right now and will probably stay so for a couple of years."

The most startling incentive package is that awarded by Alamaba to Mercedes: an initial $253m, with tax breaks over 25 years thet could be worth an additional $230m.

More recently, the state of Iowa gave Ipsco, a Canadian steel group, a package of tax and other incentives worth $73m over 20 years to clinch the location of a steel mill. And last month Connecticnt gave some $120m of incentives over 10 years to persuade Swiss Bank Corporation to move its US headquarters from Manhattan, New York, to the suburban city of Stamford.

Despite the growth of incentives, most companies consider these towards the end of their site search, as one of several factors which can tip the balance between one area and another. Relocation advisory groups argue thet to focus on government concessions ahead of more fundamental business factors is to risk making short-term judgments which could prove costly in the long run.

More fundamental business location trends include a continuing shift of businesses from city centres to surrounding suburbs.

Take, for example, Swiss Bank's recent decision to move to Stamford, Connecticut, from New York city, and Mastercard's plan to move its headquarters from Manhattan to New York state's nearby Westchester county.

In New York, this trend partly reflects rising Manhattan property rental prices as the city recovers from the severe recession of 1989-1993. That, in turn, underlines the fact that, despite the run of defections, cosmopolitan New York remains a crucial centre for the financial services industry, international trade and media industries.

That said, manufacturing and services industries that do not need to be in the relatively costly north-eastern US are continuing to switch to less expensive centres in the south, midwest and west.

And on the west coast, there is a trend for businesses to relocate from California to fast-growing desert and Rocky Mountain states, notably Arizona, Nevada and Utah. Many are leaving the expensive, socially-troubled Los Angeles region.

Nafta is also starting to influence location decisions. Richard Greene, of Ernst & Young's international corporate real estate consulting service, says: "The biggest thing to have changed in the last couple of years is Nafta. We are seeing foreign companies – Canadian and Mexican as well as European and Asian – re-examining where in America to do business. They are looking for the best place to access the entire North American market."

Mr Schriner of PHH says that it has seen "very little work resulting from Nafta. Companies that want to be in Mexico already have a presence in Mexico."

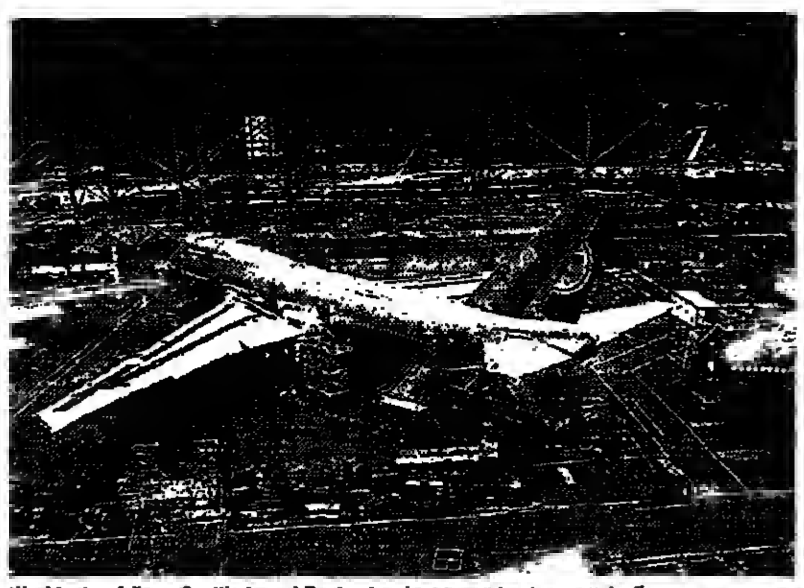
But be adds that many companies are still organised on a country basis, rather than a regional basis, with three separate corporate staffs for the US, Canada and Mexico, and these will have to be cut eventually to one. "Companies have not dealt with this yet, but they will have to."

IN THIS SURVEY

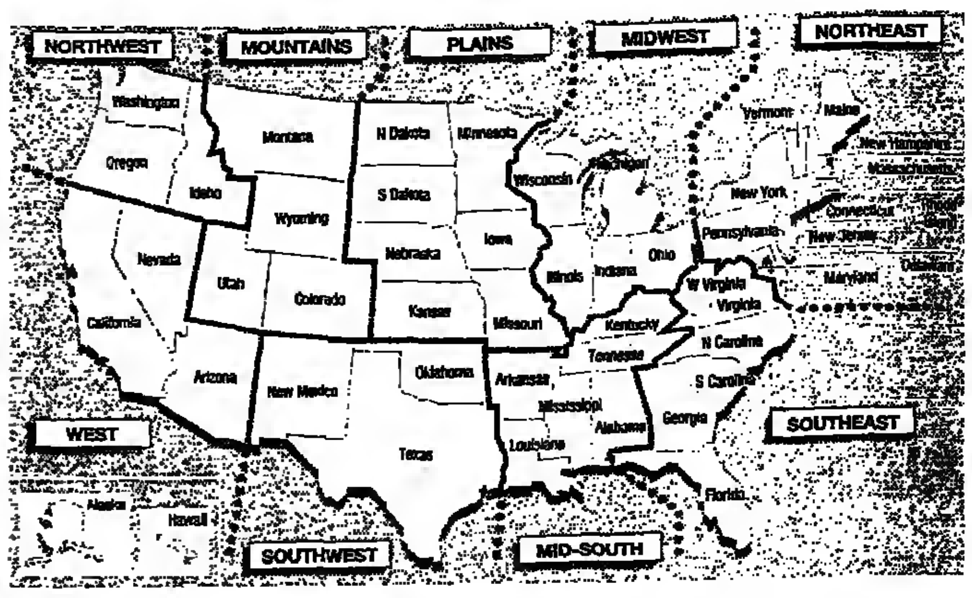
Editorial production: Roy Terry
Illustration: David Bromley

NORTH AMERICAN BUSINESS LOCATIONS 2

Olympic city: Atlanta is the unofficial capital of the south-east region *Ashley Ashwood*



Washington falters: Seattle-based Boeing has had to cut back on production *Glyn Genin*



Martin Dickson examines the strengths and weaknesses of US regional economies

A place in the Sunbelt beckons

Go west, young man – but make sure you stop at the Rocky Mountains.

That might be useful modern-day advice to the adventurous and entrepreneurial, since for the past three years the six states down the spine of the Rockies, plus the nearby desert states of Arizona and Nevada, have been the fastest growing region of the US, measured by job creation.

The nation's fastest growing city is the gambling centre of *Las Vegas*, Nevada, where employment is expected to rise 7 per cent this year. Utah is the fastest growing Rocky Mountain state, with 6 per cent job growth last year.

Contrast that witb California, once the golden destination of Americans heading west to seek their fortunes: it bas suffered four years of recession and this year seems likely to manage only marginal job growtb as the economy shows signs of a painfully slow recovery.

This tale of two regions underscores a fact of considerable significance to companies deciding wbere in the US to set up sbop. The nation is not so much a single economy but a collection of regional economies, with their own distinct personalities, strengths and weaknesses, and differing economic cycles.

Two broad national trends have been discernible in recent decades: strong growth in population and national output in the bot, less crowded southern and western parts of the country – the so-called Sunbelt – thanks partly to the invention of relatively cheap forms of air-conditioning.

At the same time, population growth has slowed to a trickle in tbe traditional industrial heartland – the so-called Rustbelt – and this region has suffered a decline in manufacturing output, as companies have been lured by the cheaper production costs of the South and its hostility to organised labour.

The north-eastern US – New England and New York state – have to some extent offset this decline in manufacturing with expansion of service industries. Boston, for example, is a powerbouse of the computer services, medical and teaching industries, while New York city remains the world's foremost financial services centre and an important location for tbe global trade and media businesses.

The huge amount of intellectual capital located in tbe north-east and mid-Atlantic states will continue to give the region a strong comparative advantage in an era wben brain power, rather tban brawn, is the key to competitive advantage in the developed world. It is no accident that in a survey last year by *Fortune magazine of the* "best US cities for knowledge workers", New York emerged in second place and Boston third. Raleigh/Durbam, in North Carolina, topped the list.

That said, the north-east is only now recovering slowly from a severe economic downturn between 1989 and 1993, which was brought on by the contraction of the securities industry, the bursting of a property bubble and the federal government's sharp cuts in defence spending, which hit the region disproportionately – just as the boom in 1980s defence spending helped give it an abnormal boost.

The region is expected to see only modest growth – of around 2.5 per cent – this year and next. Expansion will be restrained by continuing defence cuts, falling profits in the securities industry, and the restructuring of large local companies such as Eastman Kodak and IBM.

Defence cuts and an over-inflated property market have also been a principal factor in California's long recession, which began in 1990, and at last seems to be ending. The aerospace industry – long a mainstay of the economy – is continuing to cut jobs and some companies are moving operations to otber states, weary of California's high business costs and red tape.

The Center for Continuing *Study of the California Economy*, a research organisation which has long been bullish on the state's prospects, insists that the state has strong long-term potential, based on foreign trade, high-technology, professional services, tourism and entertainment.

But it argues that the principal threat to job and income growth is "the lack of a strategy to prioritise and fund critical public investments, such as infrastructure and education".

Further up the west coast, the state of Washington is also suffering a slowdown in growth as the recession in the civil aircraft industry forces Seattle-based Boeing to cut back on production. However, Washington, which enjoyed above average growth in the *early 1990s, remains* one of the more attractive US business locations, with Seattle often near the top of a locational league tables.

The state has strong positions in some of the world's leading edge high-technology industries, strong ties with the booming Asian Pecific Rim countries, and great beanty.

For now, however,the fastest growing regions of the US are in the south and/or centre of the country.

The Rocky Mountains are expected to show growth of around 5 per cent this year, dipping perhaps to 4 per cent in 1995, thanks to an influx of manufacturers from other regions seeking lower operating costs and professionals who have been freed by the fax *and telephone modem to* work wherever they choose. Many of these so-called "lone eagles" prefer to live amid the stunning physical beauty of the mountains and deserts.

The Rocky Mountain expansion is admittedly from a very modest base – the region accounts for no more than 5 per cent of US GDP – and the influx is pushing up labour and bousing costs.

Texas, which suffered a severe slump in the mid-1980s wben the price of oil tumbled, bas since diversified awey from the sector, into areas sucb as high-technology and environmental services, and the state is now growing a little above the national average.

Cities sucb as Houston, Dallas and Austin have become centres of high-technology excellence and the state will benefit greatly from its proximity to Mexico as the North American Free Trade Agreemeot *increases trans-border* economic activity.

The upper-midwest – an area whicb encompasses much of tbe traditional Rustbelt and ranges from Ohio in the east to Iowa in tbe west – is also thriving and has transformed itself over the past 20 years.

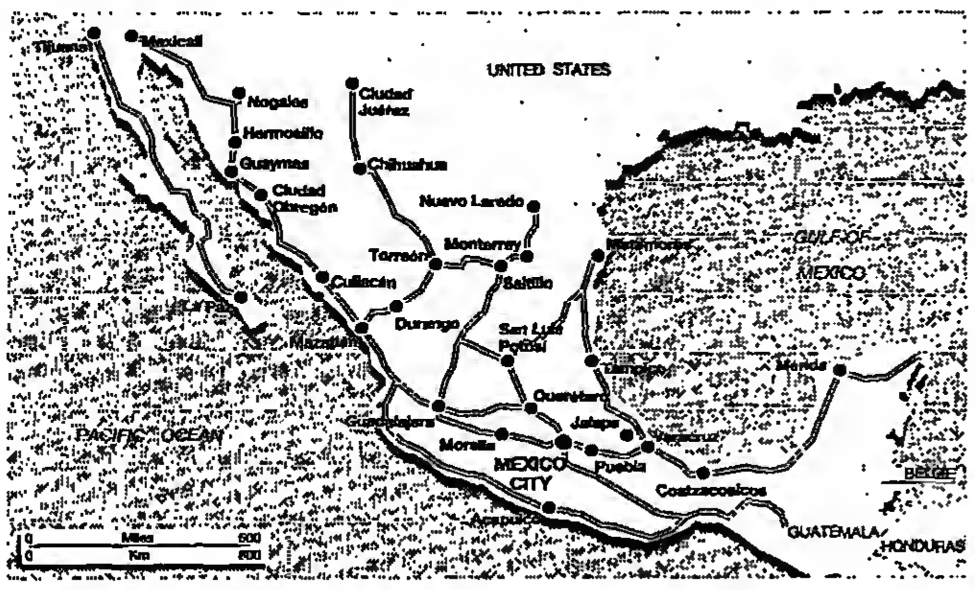
At one time it appeared to epitomise the problems of American beavy manufacturing industry: its car, motorbike, machine tool, steel and equipment manufacturers were all losing out to Asian rivals and the region looked to be in irreversible decline.

The machine tool and motorbike industries remain shadows of their former self, but the US motor and equipment industries have become much more competitive operations and the region has diversified into a *wide range of leading* edge industrial sectors and adopted a much more international outlook.

The region neither soared during the 1980s with tbe defence boom nor suffered so much as tbe east and west *coasts* in the defence/property downturn of the early 1990s, and seems set to maintain solid, stable growth of 4 per cent or more this year and 3.5 per cent next year.

That rate of expansion could put it close to the south-east, which is growing faster than any region but the Rockies, thanks to population growth, company relocations, and greenfield factory construction, such as BMW's plant in South Carolina and a Mercedes plant being built in Alabama.

Atlanta, the unofficial regional capital, will get an additional boost from the 1996 Olympics, to whicb it is playing bost. Florida is suffering from a sluggisb tourist industry but is emerging as an increasingly important centre for Latin American trade.



Mexico: **Damian Fraser** assesses the prospects

Foreigners welcomed with open arms

With its access to the US and Canadian markets guaranteed by membership of tbe North American Free Trade Agreement, Mexico expects to become a haven for foreign companies in searcb of a cheap labour force and a stable investor-friendly country with more than 85m people.

In the first seven months since tbe treaty came into effect, there are already signs that Mexico's ambitions are being fulfilled. Despite the tremendous political uncertainly before the August presidential election, direct foreign investment rose by 32 per cent to reacb $8.035bn compared with the same period last year.

The largest share of the foreign investment – 62 per cent – came from the US as in previous years. But the passage of Nafta has not increased the US proportion of investment. High-profile non-US companies such as BMW, Honda, and Labbat, the Canadian brewery, have recently announced plans to invest in Mexico, raising slightly tbe sbare of non-US investment in the country this year.

Under Nafta, Mexico, the US and Canada bave agreed to remove almost all trade and non-trade barriers over 15 years. Witb Mexican wages roughly one fifth of those in tbe US, economists expect many US and Canadian companies to move their labour intensive operations south of the border – continning a trend towards economic integration that began well before Nafta was proposed.

Mexico furtber agreed to liberalise its foreign investment law in the Nafta negotiations. Under the new laws, Mexico's financial sector is open to US and *Canadian* investment, red tape on obtaining approval in other sectors is significantly rednced, and many restrictions on investing in border and coastal zones are lifted. Most of the concessions offered to the US and Canada have subsequently been granted to other countries.

The big three US car companies were among the first to spot the advantages of investing *in Mexico and exporting* parts or finisbed vehicles to the US and Latin America, and bave plans to increase their investment in Mexico in coming years. They have now been joined by many German and Japanese auto manufacturers, who have recently announced their intention to make large new investments in the country, in part so as to be able to meet bigher local content rules prescribed under Nafta.

A study commissioned by the Mexican Investment Board – the government-sponsored investment agency that is the first port of call for foreign companies moving to Mexico – reckons electronic, hullding *materials*, apparel and *mining* are the other sectors of most probable interest to international companies seeking to locate *south of the border*. The study concloded that Mexico's pro-business climate, quality of government, access to the *US and its cheap work force*, were among the main factors attracting companies to the country.

Mexico's otber principal attraction was the growing domestic market of 85m consumers. So far most companies seeking to sell to Mexicans, such as Labbat, tbe Canadian brewery, Bell Atlantic, the telepbone company, Wal-Mart, the US retall chain, bave entered the market with Mexican partners. But some, such as the 20 foreign banks which have applied to open subsidiaries, are going it alone.

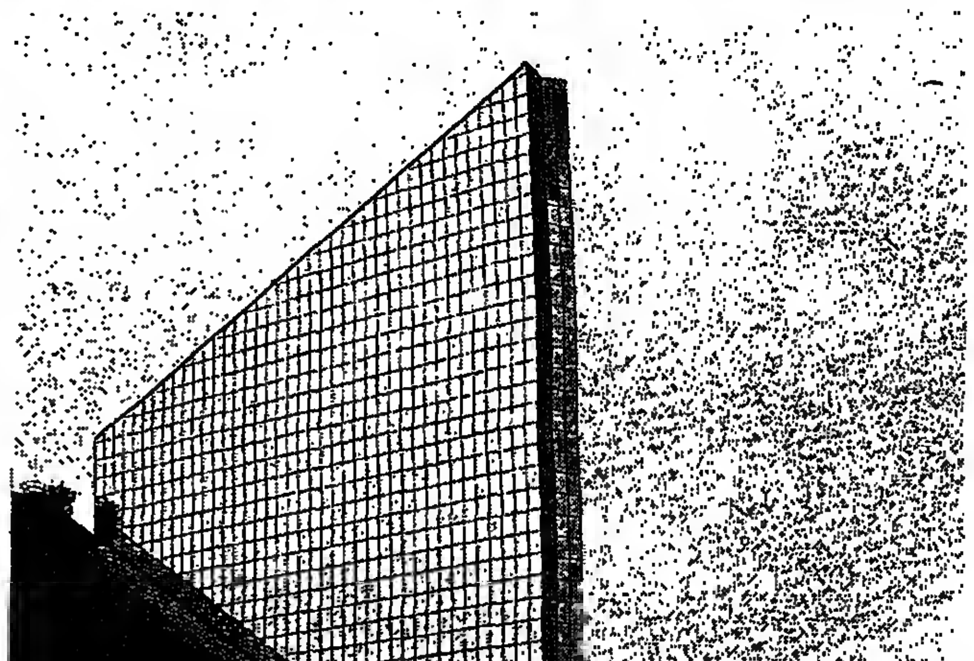
After snbdned economic growth for the past couple of years, the foreign lnvestors looking at the internal economy are boping for a recovery next year. The government has forecast an expansion of about 4 per cent, regarded as well within reach by most independent economists. Inflation, meanwhile, is expected by the government to fall to less than 7 per cent this year, and to 4 per cent next year.

Bnt despite tbe evident attractions of investing ln Mexico, many foreign companies have found out that doing *business there is more expensive* than might appear. Workers on average are considerably less prodoctive than in the US, infrastructure is poor (especially in railways and ports), the cost of capital is higb, regulations governing ownership are unclear and law enforcement unpredictable. While the federal government is considered helpful to foreigners, state governments, with some notable exceptions, are often bureaucratic, and prone to corruption.

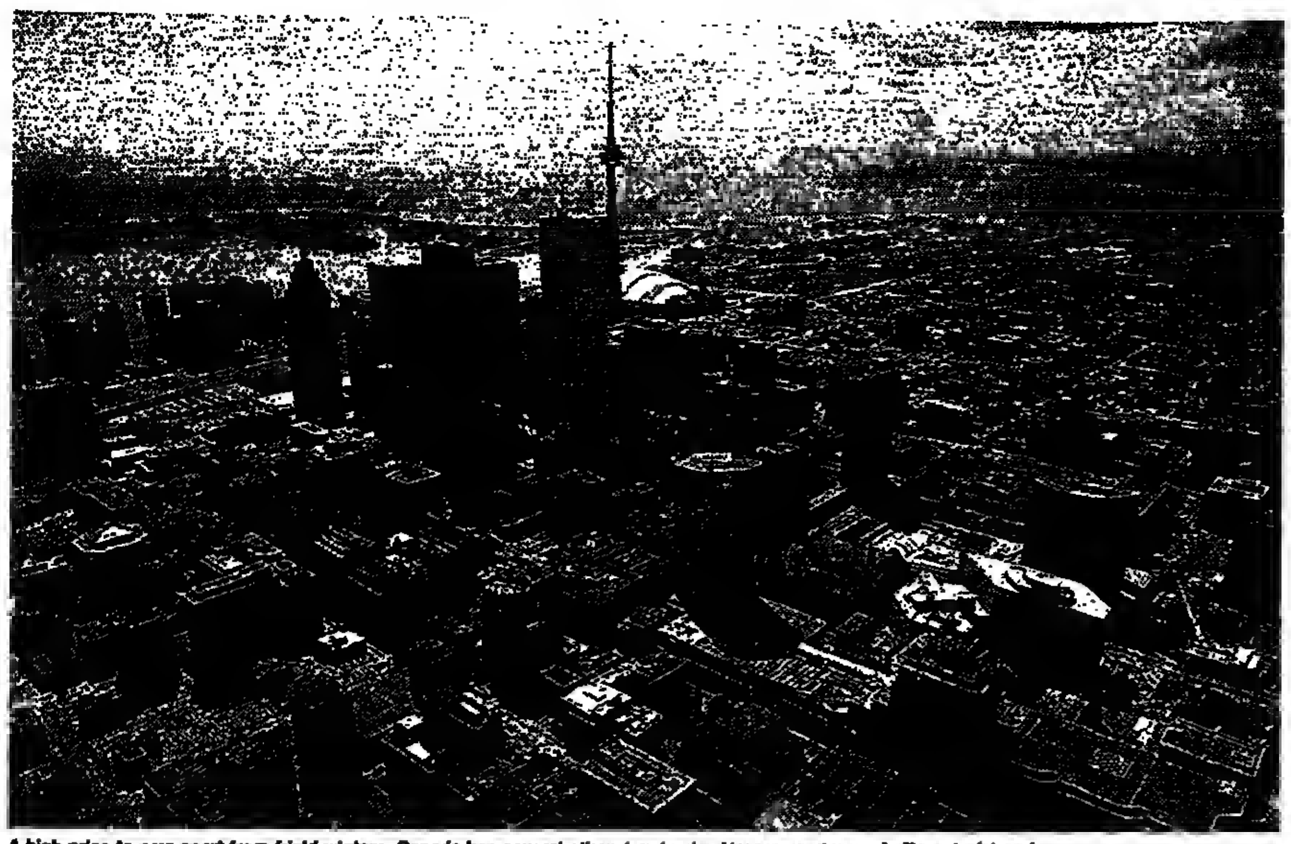
Nor does Mexico enter into bidding wars for companies seeking to receive benefits for locating in the country. Companies (foreign and domestic *alike) receive modest federal* tax breaks for new investments, and for hnying anti-pollution equipments. State *governments can give land* away or help train workers. But, generally, the government opposes giving discretionary *benefits* to *foreign companies* planning to invest in Mexico.

Some of the obstacles to foreign locatioo in Mexico will be addressed by the iocoming government of Ernesto Zedillo. His administration has pledged to boost spending on vocational training for workers, to commit to a significant expansion of the country's infrastructure, to lower interest rates by redocing inflation still further, and to enforce the law with respect to property rights and application of regulations.

There is little doobting the importance Mexico's government now attaches to foreign investment, and tbe open arms with which it welcomes any who are willlog to set np operations in the country.



Open-door policy: Mexico's financial sector now welcomes US and Canadian investment *Rod McNeil*



A high price to pay: apart from frigid winters, Canada has several other drawbacks. Houses cost more in Toronto (above) ... ... and in Vancouver than in most cities in the US. Many household goods are also considerably more expensive

Pictures: Glyn Genin

Canada: **Bernard Simon** on the pros and cons of a move north of the 49th parallel

Business looks southwards

The climate for investment in Canada has improved markedly in recent years. The irony is that many businesses, once established north of the 49th parallel, prefer to look southward to the US for new opportunities.

Much of the impetus has come from the 1989 US-Canada free trade pact and this year's North American Free Trade Agreement (Nafta), which also includes Mexico.

Free trade has broadened Canadian-based companies' horizons. At the same time, the twin shocks of free trade and the 1990-92 recession have brought about a sharp improvement in productivity. Trade unions and government regulators have become more flexible as domestic industry has been exposed to stiffer foreign competition.

The economic upswing is now well under way, with real growth expected to reach around 4 per cent this year, one of the highest among OECD countries. This year's climb in interest rates could dampen growth slightly in 1995, but economists forecast that output will expand by at least another 3 per cent.

Despite the growth in overall business activity, property prices and office rentals in most cities have yet to recover fully from the recession. Inflation is virtually non-existent, although it is likely to accelerate to about 3 per cent next year.

The federal government and the 10 provinces – even the three governed by the interventionist New Democratic Party – eagerly court foreign investors.

Regulators are making life easier for business by gradually lightening their touch on such industries as telecommunications, power generation, transport and energy. Growing competition among telephone companies has cut the cost of long-distance calls by as much as 60 per cent over the past seven years.

The climate in Ontario, which generates some two-fifths of Canada's total economic activity, could brighten further after provincial elections due to be held next year. Barring a dramatic reversal in its low popularity ratings, Ontario's present NDP government is likely to be replaced by a more business-friendly Liberal or Conservative administration.

Owen Krassweller, international tax director in Ernst & Young's Toronto office, adds that many overseas companies looking for a North American base feel more comfortable with the lifestyle and business culture in Canada than in the US. "Rightly or wrongly, Canadians are perceived as being more open, honest and easier to deal with than Americans," he says.

Mr Krassweller says the conventional wisdom that corporate taxes are lower in the US than Canada is "probably a misconception". He estimates that combined federal and state taxes in New York state are "not much different" north of the border. Furthermore, US employers bear the full brunt of the cost of health care for their employees, while the Canadian provinces fund their services from general tax revenues (including in several cases, a payroll health tax).

Even the threat of Quebec breaking away from the rest of the country is not necessarily a deterrent to setting up in Canada. "Regardless of the political outcome, the people will still be there, and there will still be economic activity," says Peter Jones, president of the Canadian subsidiary of Salomon Brothers, the US investment bank, which is in the process of expanding its Toronto-based operations.

Salomon is by no means alone. Anecdotal evidence suggests that the brightening business climate has drawn a substantial number of foreign companies to Canada – either to set up new businesses or to expand existing ones.

However, with the notable exception of North American and Japanese carmakers, most of the investments have been in service sectors.

The list of US retailers that have moved into Canada is long. Wal-Mart paid about C$300m earlier this year for 122 stores owned by FW Woolworth. Home Depot, a big Atlanta hardware chain, has set up a joint venture with a subsidiary of Molson, the diversified Canadian brewer.

Looser regulation of the telecommunications industry has attracted several foreign telephone companies, notably US-based Sprint, MCI and AT&T. The latter owns 20 per cent of Unitel, which pioneered competition in the long-distance market against the consortium of provincial monopolies.

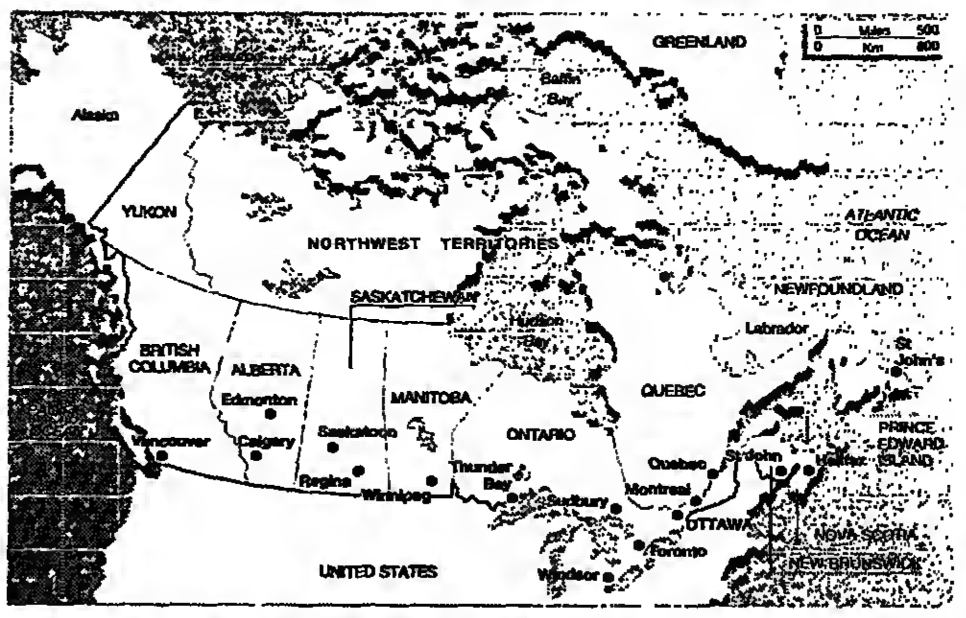
On the other side of the balance sheet, Canada also has some definite liabilities – and not only frigid winters.

Personal taxes are substantially higher in Canada than in the US. The top marginal tax rate is around 51-53 per cent in most provinces, except Alberta where it is 46 per cent.

House prices in Toronto and Vancouver are higher than in most US cities. Mortgage payments are not tax-deductible and many household goods – ranging from petrol to cigarettes – are considerably more expensive in Canada.

Mr Jones says that these differences favour hiring people locally or buying a Canadian business: "It's expensive to transfer someone from a US location to a Canadian location." He estimates that a US executive's salary must be roughly doubled to maintain the same after-tax income in Canada.

Geography and demographics are a daunting obstacle to any business planning to operate in more than one region. With a total of only 29m inhabitants, Canada – which is sometimes described as a "clothes line of a country" – stretches across five-and-a-half time zones. The four Atlantic provinces are separated from the rest of the country by French-speaking Quebec.



The provinces' wide powers, which in some cases overlap with the federal government, can make life difficult for business. Different rules and standards, including different tax regimes, apply in each province.

Some progress has recently been made in bringing down non-tariff trade barriers between the provinces, such as procurement preferences and professional licensing requirements. But they remain an irritant.

Provincial government policies can vary widely. At one extreme, Alberta's Conservative administration is closing hospitals and schools in pursuit of its target of a balanced budget by 1997. At the other, Ontario has expanded the rights of trade unions and tightened "employment equity" rules for the hiring of minority groups.

Quebec's agenda is likely to be dominated by the new government's drive to win the independence referendum which it has promised to hold in 1995.

With all these regional wrinkles, it's hardly surprising that many businesses, both domestic and foreign, prefer to expand into the US rather than tackle other parts of Canada. Free trade has made that strategy even more attractive.

Barbara Harrison examines the role of relocation advisers

Unseen players for big stakes

Site selection consultants are often the unseen players in the big stakes game of relocation. So, who are they?

A few decades or so ego, site selection was a relatively narrow affair that included assessing real estate prices and the pros and cons of various locations in terms of roads, electricity, local wage rates, airport access. and other critical factors. These assessments were often handled inside a company.

But outside consultants were increasingly brought in as the selection process became more competitive among US cities and states offering incentives to attract investors. Advisers, as outsiders, were considered more objective about the alternatives.

Today, site consulting has mushroomed into a significant business. Although no public estimates exist on total fees earned or even the total amount of investment handled, site consultants say the business is lucrative and point to the entry of the big six accountancy firms as evidence of fat fees.

The two leading traditional firms specialising in site consultancy are Chicago-based PHH Fantus and New York-based Moran, Stahl & Boyer (MS&B). The big six accountancy firms have more recently joined the fray, in particular Deloitte & Touche, Andersen Consulting, Price Waterhouse, and Ernst & Young. Several large engineering firms, notably California-based Fluor Daniel which handled Mercedes' move to Alabama, also offer site consulting services. And there is a plethora of small shops, specialising in particular areas.

The levels of business among firms varies widely. The annual number of assignments for an industry leader such as Fantus, which handled BMW's move to South Carolina, is more than 100, almost all of which come from blue-chip companies, while a small shop might handle two or three deals a year.

But Fantus and Moran, Stahl & Boyer have been fighting some increasing hot competition in the past few years, especially from the big six. Ernst & Young only formally constituted its site selection unit two years ago and it is already handling 20 to 30 assignments a year, according to Barry Barovick, director of corporate real estate consulting for Ernst & Young.

Deloitte & Touche decided it could build a separate practice around site selection about three years ago. With two top consultants poached from Fantus, Mark Klender and Philip Schneider, it has one of the stronger fully dedicated site selection teams at the big six.

The strength of the big six entering this segment of consulting work is that they have a substantial client base as well as a depth of expertise in such areas as tax, management consulting and real estate that other relocation firms may not have.

Similarly, engineering firms such as Fluor Daniel have wide experience in the actual implementation – the engineering and construction – of plant relocations, particularly for manufacturing. Fluor has been providing advice on siting since 1974. William Dorsey, director of Fluor's Siting and Consulting Services Group, located in Greenville, South Carolina, explains: "We site about $2bn worth of investment a year and about a quarter of that is European firms coming to the US."

Smaller consultants may provide a narrower range of services, but their business is built more directly on personal relationships and trust. Wesley DeVoto, for example, operates as a "finder" for British companies interested in US – and particularly south-eastern US – investments. Mr DeVoto is more oriented to mergers and acquisitions by British companies wishing to have a US presence than green field site selection. But his Atlanta-based five-man shop is a successful niche participant.

The upshot of the increasing competition is that Moran, Stahl & Boyer, acquired in 1990 by financial services giant Prudential, and Fantus, a division of the PHH Corp, are undergoing a restructure to act more like the management consulting firms with which they are competing.

Moran, Stahl & Boyer, which produces annual studies on favourite business cities for Fortune magazine, now is focused on location feasibility and selection, while the implementation of the move, such as housing for employees, is carried out by its sister company, Prudential Resource Management, according to Charles Galloway, executive vice-president of MS&B.

Fantus will now have three separate segments, one for private sector companies in North America and Europe, one for the public sector (advising on economic development for locations that want to attract investors) and an international unit that will focus on the Pacific Rim.

The consultants all nonetheless say that business is booming. After the lean and uncertain years at the start of the 1990s, US companies are once again making capital investments. And, they say, international business is pouring in as more companies seek to strategically position themselves to compete in the North American market.

Choosing the ideal site

The first step in site selection is corporate planning. Consultants emphatically say that a company's strategy for a relocation must be clear from the start. In this, consultants can elicit some clarity by posing the right questions, such as "What are the problems you think a move would solve?"

The consultants then begin to explore the needs that a company must have satisfied in any relocation. These can vary. If it is a distribution centre, highways, airports, telecommunications and proximity of markets will be at the top the list.

If it is a manufacturing plant, the availability of labour, wages, power costs, proximity of suppliers and operational costs will be top concerns.

A variety of data bases are consulted to find a pool of locations that fit the client's needs. These are then whittled down after closer examination and a refinement of demands. For example, a good consultant will know that an American high school diploma in New York city means little in the way of basic skills, while the same diploma in Minneapolis means the graduate can read, write and do sums.

With a narrowed list, the consultants then often organise field trips for the company's top executives to see the sites themselves. These often include presentations by local business and government officials. Some cities and states have sophisticated business recruitment programs and consultants should have the knowledge to know who can really deliver on their promises.

Consultants can help sort out the incentives and deal sweeteners that various locations offer. And, once the choice is made, they will negotiate the deal and implement it. This can mean everything from helping relocated employees find housing to advice on job-hunting for spouses and schools.

NORTH AMERICAN BUSINESS LOCATIONS 4

Martin Dickson looks at the issues influencing the choice of location

Decided advantages and drawbacks

Deciding where to locate a business in North America presents a company with an extremely complex trade-off between factors ranging from *real estate and labour costs to* market proximity and the local quality of life.

Much will depend on the type of business in which a company is engaged, and the markets it is serving.

A steel mini-mill, for example, needs to be reasonably close to its markets, given the sheer bulk of its product, and also needs a secure supply of cheap electricity and scrap metal. Entertainment companies will be drawn to the industry's greatest concentrations of talent – in Los Angeles and New York City.

Tele-marketing companies can be located anywhere in the region, thanks to reliable communications systems, though they will tend towards areas where labour is cheap and the inhabitants do not have pronounced regional accents.

Industry specific issues apart, the most important factors in site location include the following:

■ Real estate costs – *including lease rates, construction* costs and upfront rent concessions – constitute one of the most important relocation decisions, and as the chart shows, there are huge disparities between North American cities, with southern sunbelt *and mid-western US states sub*stantially cheaper than the east and west coasts.

The North American market as a whole is only slowly recovering from the severe property slump of 1990-1993 as the US economy expands. The US national average vacancy rate in the office sector *remains not far below 20 per* cent, with occupancy in primary buildings improving at the expense of secondary space. The industrial market, subject to less speculative activity in the 1980s, has less of an overhang, with the south-east, south-west and mid-west showing strongest demand.

■ Labour costs, quality and availability. Wages rates vary widely across North America, (see table), with the eastern seaboard, California and some mid-western states showing significantly higher labour costs than the southern sunbelt and mountain states.

Mexico, in turn, hugely uncuts both the US and Canada. However, a recent survey of corporate real estate managers by location consultants Ernst & Young* found that labour costs were only of middling concern in site selection decisions, ranked well behind the availability of an educated workforce. This would appear to favour states and cities *which can* combine reasonable wage costs and a reputation for good education. A prime example is Utah, which has been enjoying one of the fastest rates of economic growth in the US over the past two years.

■ Infrastructure. Access to *principal highways is of crucial* importance to most companies and some 46 per cent of participants in the Ernst & Young study reckoned that the availability of advanced energy and telecommunications systems was a very important location criterion. Access to a principal airport with convenient flights will also be important to many companies, particularly foreign businesses with executives constantly shuttling across the Atlantic and Pacific oceans.

■ Tax and regulatory environment. A favourable local government attitude towards business and low property tax rates tend to be high on companies' site selection factors.

However, the Ernst & Young study found tax and start-up incentives – so often highlighted in media reports of relocation decisions – were only named by 27 per cent of participants as constituting a very important location factor.

This is perhaps not surprising, since such concessions tend to be considered fairly late in the selection process, as a tie-breaker between sites on a company's short list. But they can still be an important factor in location decisions – particularly in the case of the largest, prestige plants which states are desperate to attract.

A very substantial factor in Mercedes' decision to locate its new plant in Alabama was the hefty package of incentives offered by the state. They totalled $253m and included $17.4m to buy the plant site for Mercedes and develop it, $42.6m for building construction and $30m for a training centre. Alabama is also paying $60m for training Mercedes workers and $77m for developing the related infrastructure, such as roads and water lines.

On top of all that, Mercedes qualifies for tax breaks, related to its profits and head count, which could total $9.2m a year for up to 25 years.

■ Quality of Life. This broad category of factors ranges from cost of living to the local crime rate, quality of schools, climate, physical beauty of surroundings and access to recreational facilities.

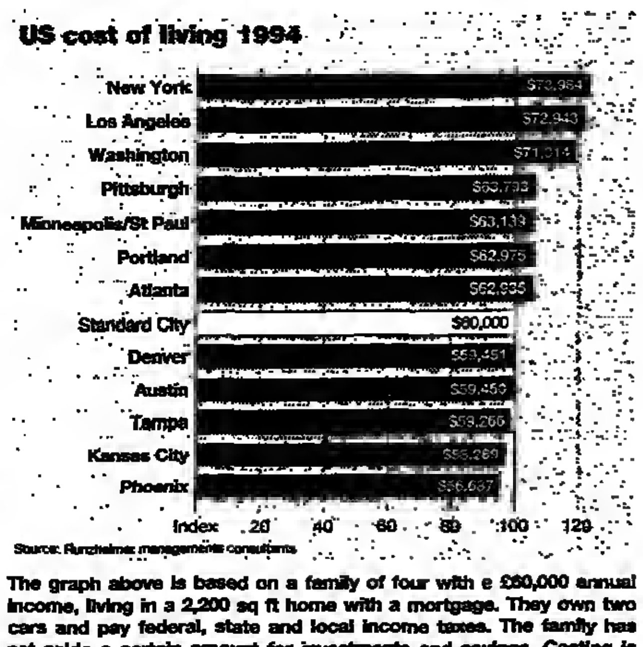
Cost of living, which again varies considerably from region to region (see chart), can be a significant factor in location decisions. A company situated in an area of particularly high living costs, such as the greater New York area, can find it hard to get qualified personnel to relocate to the area without paying higher wages than it need do elsewhere.

However, the Ernst & Young survey found that other quality of life characteristics – such as climate and cultural facilities – ranked fairly low with location professionals.

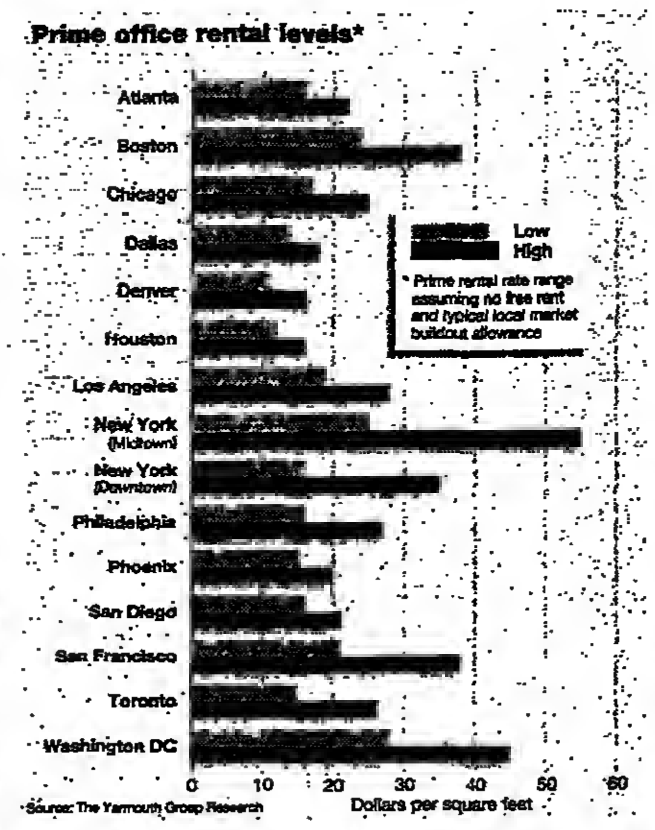
That said, quality of life issues can carry considerably more weight in two circumstances. One is when professional individuals are relocating. Thanks to modern telecommunications systems, they can work from a wide variety of rural and semi-rural locations and a significant number of these so-called "lone eagles" are setting up in business in the Rocky Mountains, attracted by its scenic beauty.

The second situation is when a company moves to a new location in large measure because the chief executive happens to like it.

** Contained in the Ernst & Young Almanac and Guide to US Business Cities, which gives profiles of 65 business centres. Published by John Wiley, price $16.95.*



The graph above is based on a family of four with a £60,000 annual income, living in a 2,200 sq ft home with a mortgage. They own two cars and pay federal, state and local income taxes. The family has set aside a certain amount for investments and savings. Costing is based on representative communities surrounding the core city in which families earning £60,000 annually are most likely to reside.

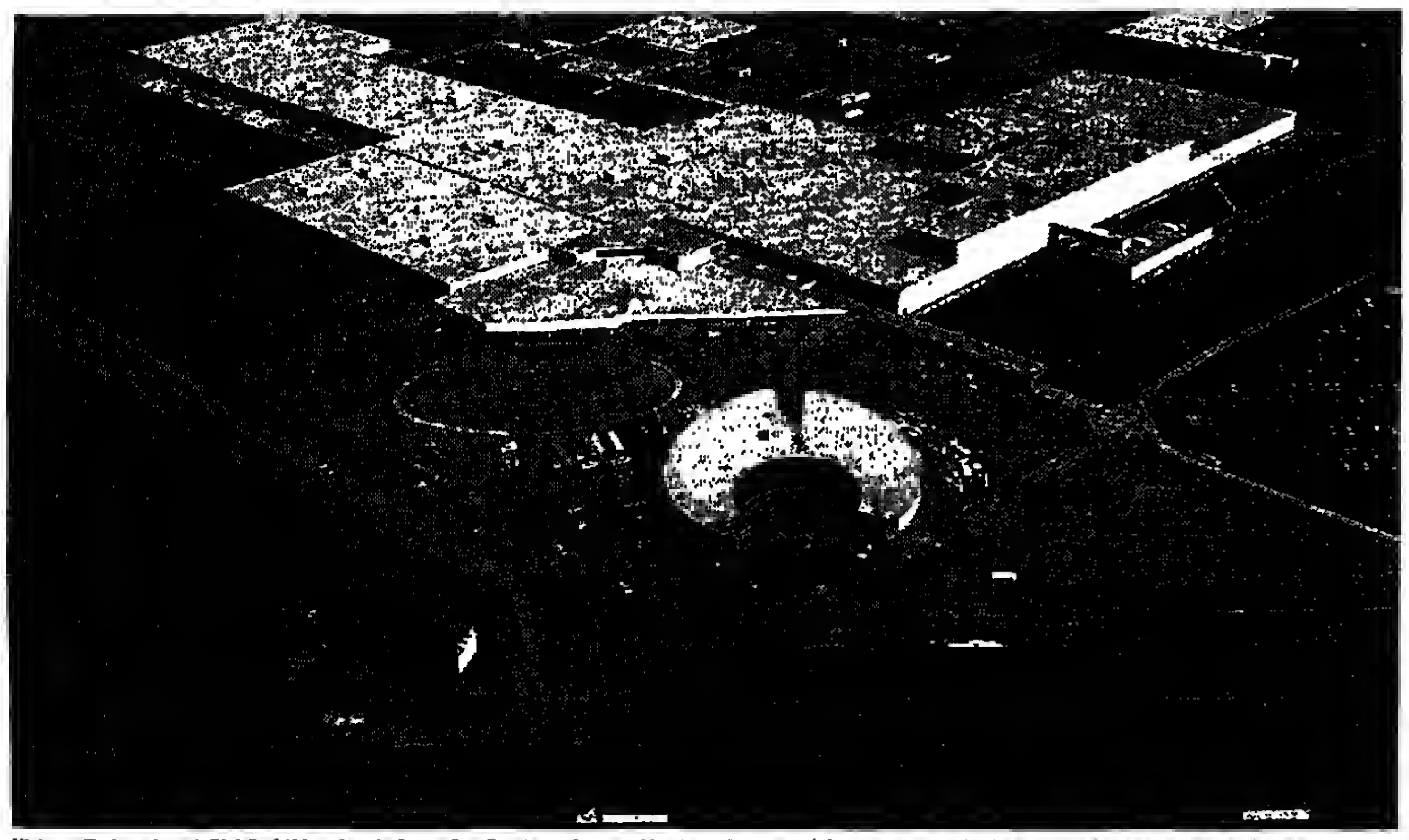


US manufacturing wage rates*

(average hourly earnings, June 1994)

Alabama	$10.72	Missouri	$11.49
Alaska	$11.90	Montana	$12.39
Arizona	$10.92	Nebraska	$10.96
Arkansas	$9.74	Nevada	$11.49
California	$12.50	New Hampshire	$11.57
Colorado	$12.39	New Jersey	$13.26
Connecticut	$13.49	New Mexico	$9.96
Delaware	$14.09	New York	$12.13
District of Columbia	$13.49	North Carolina	$10.20
Florida	$9.99	North Dakota	$10.26
Georgia	$10.25	Ohio	$14.45
Hawaii	$12.27	Oklahoma	$11.53
Idaho	$11.75	Oregon	$12.20
Illinois	$12.28	Pennsylvania	$12.39
Indiana	$13.49	Rhode Island	$10.35
Iowa	$12.46	South Carolina	$10.01
Kansas	$12.09	South Dakota	$8.98
Kentucky	$11.93	Tennessee	$10.47
Louisiana	$13.06	Texas	$11.09
Maine	$11.96	Utah	$11.17
Maryland	$13.04	Vermont	$11.51
Massachusetts	$12.55	Virginia	$11.20
Michigan	$16.15	Washington	$14.13
Minnesota	$12.51	West Virginia	$12.65
Mississippi	$9.40	Wyoming	$11.72

* These rates are not seasonally adjusted. Source: PHH Fantus Consulting



High-profile investment: BMW's $400m plant in South Carolina (above) opened its doors in July and the first car rolled off the production line last month (right)

Barbara Harrison discusses a car company's move to South Carolina

Southern comfort for BMW

Alongside interstate highway 85 in South Carolina stands a large billboard with the BMW logo on it and this statement: "Soon the world will know South Carolina craftsmanship."

The billboard seems a proud and defiant answer to all those who harbour doubts about why BMW chose to locate its first US car plant in the American Deep South.

Many non-southern Americans still regard the South as an unsophisticated backwater, whose people are under-educated and unskilled. Referring pejoratively to all southerners as "Bubba", the sceptics snidely asked: "Can Bubba build BMWs?"

The question held a special edge, since no European car company, much less one that built luxury cars, has ever succeeded in manufacturing in the US.

Yet, BMW is the 46th German company to invest in South Carolina's Spartanburg County, in the Piedmont of the Appalachian mountains. It is the 76th German firm to invest in South Carolina.

"The capability of South Carolinians is well known in Germany," says BMW spokesman Bobby Hitt.

But Mr Hitt, himself a native South Carolinian, acknowledges that the state's stake in the plant's success is high.

South Carolinians "have the success of the plant in their hearts and minds because they know it's a statement about our people", he said.

This is so despite many other foreign investors in South Carolina, which ranks 13 out of the 50 American states in total foreign investment.

But the BMW plant has the highest profile of the lot, which includes Robert Bosch, Michelin and other European high-end machining and high-technology manufacturing firms.

BMW's primary reasons for choosing South Carolina were straightforward. Labour and overall operating costs were relatively cheap, suppliers were at the ready (including the 28 US companies that already served the company's German plants), the labour force was available and of good quality, the US is the company's second largest market and the state's $130m incentive programme was attractive.

BMW is pleased with its move so far. The $400m plant, on which construction began in April 1993, opened its doors on schedule for the first workers in July. The 1.2m sq ft building rises in windowless pristine white from a 1,039-acre site, which still bears construction equipment and dirt mounds.

Construction work continues on the 17,000 sq ft Zentrum, or visitors' centre, which is the architectural centrepiece of the plant. In keeping with BMW's high profile, the Zentrum will be used for a display of BMW's history and as a staging point for tours of the plant.

The plant, which will be officially inaugurated next month, has all manufacturing operations under one roof and among its innovations is an assembly line that crosses itself, like an upside down small "e".

The reasoning behind the design is almost purely to pump up the morale of the workforce. After a car completes the U-shaped production portion of the line, it is turned and rolled down through the middle for final testing. This allows those who work at the start of the line to see the finished product – and, of course, be on hand for any last-minute touching up.

The plant's initial 520 workers, including fewer than 30 Germans, produced their first car on September 8. Although the plant was designed to make any model BMW, the first car was a 318i.

The plant will make the 318 and the 325 models over the next year, and then start in August 1995 with the yet-to-be-unveiled roadster. Production is expected to rise to 290 units a day in 1996 with a workforce of 1,200. By the end of the decade, the plant is expected to employ 2,000.

While it is too soon to render a judgment on whether Bubba can make BMWs, the company is satisfied with its workers so far. It has, however, been extremely selective. When the job application deadline was reached last November, nearly 60,000 people had applied.

The starting hourly wage is $12 and it rises to $16.30. This is modest by US auto industry standards, but enviable by any South Carolina measure.

The firm is giving preference to those who live in the area, but it is also seeking bright and ambitious people who see themselves making a career at BMW.

The worker who drove the first car off the line, for example, is a former school teacher. One of the attractions of South Carolina is its excellent technical training colleges.

But BMW is no doubt cautious about pro-union people. While the company says it is not anti-union, South Carolina is a right-to-work state and BMW at least harbours a hope that its plant will stay out of the grasp of the United Auto Workers' Union.

It is concentrating on creating a culture of worker empowerment. People are trained to work in teams and be independent decision-makers.

To cut down on the attitude of "us and them", there is no executive dining room, all employees including the president wear a simple white work jacket bearing the BMW logo, and there are no walls separating the plant's top brass from the floor workers.

Whether inculcating the concept of worker empowerment will insulate that plant from unionism remains unclear. But were the plant to be organised by the UAW, it would be an aberration in South Carolina.

Meanwhile, BMW's investment has brought a string of its suppliers. Twelve suppliers have already relocated into the area, bringing investment of more than $114m and more than 1,000 additional jobs. Another dozen suppliers of the estimated final 70 for the plant are expected to relocate in the state.

The added investment by suppliers not only makes operating easier and cheaper for the company but provides yet more reasons (mostly in the shape of jobs) for BMW's success to be in the hearts and minds of South Carolinians.

Case Study: IPSCO

How Iowa won the battle for a steel mill

The course of site location does not always run smoothly. When Ipsco, a Canadian steel company, was examining places to build a new US plant, one leading contender was a site in Iowa on the banks of the Mississippi River.

Then came the great Mississippi floods of 1993 and the site disappeared under 11 feet of water.

Ipsco, based in Regina, Saskatchewan, went on to choose another Iowa site – again close to the Mississippi, but in a somewhat more elevated position – as the location for its new $360m mill, now under construction in the state's Muscatine County.

The facility, due for completion in April 1996, is one of the biggest development projects in Iowa. It is designed to produce 1m tonnes of hot rolled steel annually from scrap metal and will create 300 jobs.

But the project could easily have gone to another mid-western state. Roger Phillips, president of Ipsco, says that initially Iowa did not figure prominently in the company's site search – even though Ipsco already had a steel pipe mill located in the state.

Iowa, says Mr Phillips, was not a leading contender becausa the state's taxes on machinery and equipment discouraged investment by capital intensive industries.

Iowa, however, put itself in the race by suggesting to Ipsco that it might be able to offer a break on the machinery and equipment tax.

The tax issue apart, the state met a lot of Ipsco's other site requirements: since steel is heavy, the company needed to be relatively close to the mid-western markets it wanted to serve. It needed reliable supplies of its basic raw material, scrap metal, and guarantees of long-term reasonable electricity prices. Other essentials included good rail and truck transport links and proximity to a river system.

Iowa has started a big marketing push under the slogan "the smart state for business"

Its site list finally came down to a choice between three states: Iowa, Indiana and Kentucky.

Indiana is America's leading steel state, being home both to the large integrated mills around the town of Gary, and a revolutionary new mini-mill constructed by Nucor in the agricultural heart of the state. Kentucky has been particularly aggressive in trying to attract new manufacturing industry, including steel plants.

From Iowa's point of view, winning the battle for Ipsco became one of the highest priorities in the state's industrial development strategy.

Iowa is known primarily as an agricultural state and has long been one of the leading US producers of corn and soya beans. It is also a significant manufacturer of farm equipment and consumer durable goods, being the home state of white goods manufacturer Maytag.

However, the state economy suffered badly in the 1980s. Successive recessions in the farming and durable goods sectors meant it suffered among the largest percentage drops in its employment base in the nation, losing 8.1 per cent of its workforce and 4.6 per cent of its population.

The 1990s have seen a slow reversal of the population loss as agriculture has recovered and the state has sought to diversify its economic base.

It has modified its tax structure, pnt in place financial assistance and job training programmes, invested $150m in the construction of an information superhighway backbone, and started a big marketing push, including glossy advertisements in leading US business magazines under the slogan "the smart state for business".

The slogan plays on Iowa's traditionally very good educational system and its strong work ethic. (Mr Phillips says that the reputation of the school system was not a deciding factor for his company, "but it was icing on the cake").


Farming country: Iowa is primarily an agricultural state and is a leading producer of corn and soya beans

Among the sectors targeted by the state for development efforts are insurance and financial services (Des Moines has become a significant insurance centre); agricultural products processing; and the metals industry, which is concentrated in the eastern part of the states.

Its emphasis on metals led state development authorities to go aggressively after the Ipsco project.

The most important component of the $75m package the state put together is the elimination of the property tax on machinery and equipment for the project, which required special approval of the state legislature. The Iowa senate initially rejected the incentive package, last February, but then passed the measure when Ipsco threatened to walk away.

The package includes just $3m of upfront state financial assistance, about half that which will go on road construction. The vast bulk of the aid is in various forms of tax credits, which are dependent on Ipsco making a very substantial investment in the state. Some $36m consists of exemption from the machinery and equipment tax, while $8.5m comprises foregone state corporate tax.

However, Iowa economists reckon that state and local tax receipts could receive a $120m boost over 20 years, thanks to the project's impact on population and earnings growth, and that the public benefits of aid for the mill will easily outstrip the costs.

Martin Dickson

Martin Dickson examines why the Rocky Mountain states have become so popular

Where small-town values predominate

Why are the Rocky Mountain states the fastest growing region of the US? What are the factors encouraging businesses to relocate to the area?

The six states down the spine of the Rocky Mountains – Montana, Idaho, Utah, Wyoming, Colorado and New Mexico – together with neighbouring Arizona and Nevada, are expected to show growth of around 5.3 per cent this year and 4 per cent in 1995.

Tha expansion is all tha more impressive in that it is not due to booming oil or metal prices. The Rockies have traditionally been dependent on mining, oil, farming and forestry, and the region has a history of booms and busts tied to commodity cycles.

Denver, Colorado, the Rockies' main city, enjoyed strong growth in the late 1970s, thanks to the global oil crisis, but the region largely missed out on the strong economic growth which characterised most other regions of the US during the 1980s.

The current expansion is relatively broad-based, and includes a significant number of high technology companies. But while impressive, it needs to be put in perspective: the Rocky Mountains are one of the least significant economic regions of the US, and the base from which the area is growing is small relative to other parts of the nation. The gross regional product of the Rocky states was only $337bn in 1993, compared to well over $1,000bn for the booming South Atlantic region, which has Atlanta as its main business centre.

The region's high overall growth rate also hides considerable differences in the various parts of what is an extraordinarily diverse area, ranging from the rolling wheat fields of eastern Montana to the deserts of tha south-west.

So while cities such as Las Vegas, Nevada, Salt Lake City, Utah, and Boise, Idaho, are all booming, predominantly rural Wyoming, with no large cities and poor air transport services, is enjoying only modest growth.

All that said, rapid growth in the Rockies is significant, in that it points up business location factors which may become increasingly important.

Three reasons for the influx of companies and individual entrepreneurs stand out: the relatively low cost of doing business in the area; its pro-business climate; and its open spaces and stunning scenery.


Boom town: Las Vegas's new developments include the Excalibur

So far, the Rocky Mountain states have not used lavish tax incentives to attract business – because they have not needed, or been able to afford to do so. There are, inevitably, exceptions: last year Rio Rancho, New Mexico, gave a $114m tax incentive package to encourage Intel, the California-based semi-conductor manufacturer, into expanding its plant.

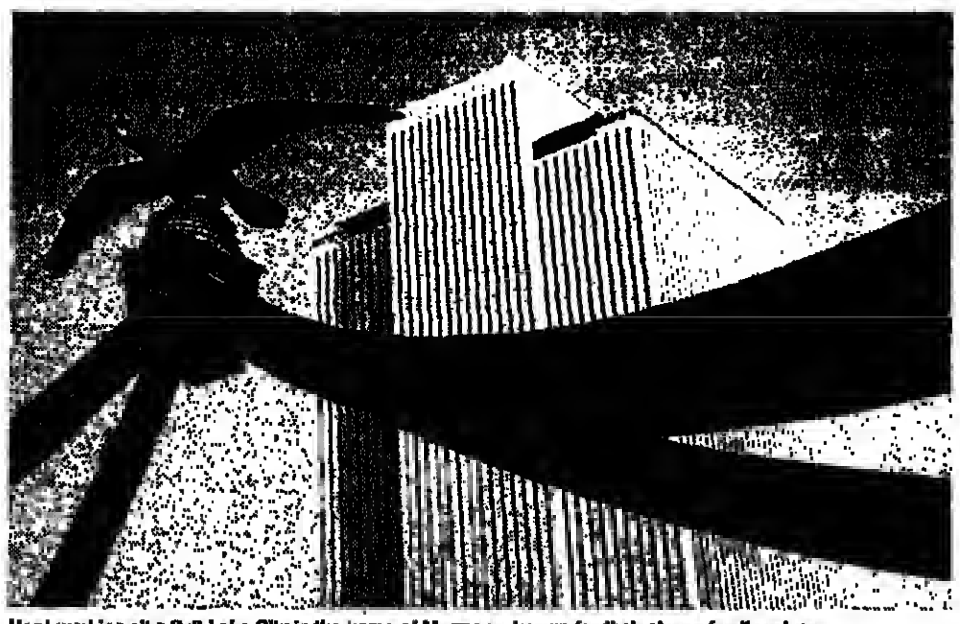
What the Rocky states do use to lure business are propaganda campaigns, aimed in large measure at Californian companies, which highlight the fact that the cost of doing business there is relatively cheap.

Many of the campaigns are aimed at small companies – the kind creating most of the job growth in the US.

Labour costs are well below the national average, and so are many other business expenses. Idaho, for example, reckons that a Californian company moving to the state can not only halve its pay bill, but it can cut fringe benefits around 50 per cent, the cost of workers' compensation for injury by a similar amount, and utility costs by more than 60 per cent. Companies which have set up substantial operations in Boise include technology groups Hewlett-Packard and Micron Technology.

Land prices are also far cheaper in the Rockies than in California, though the recent boom has begun to put significant upward pressure on house prices.

The states have also adopted aggressively pro-business policies, for example by imposing moderate business taxes and cutting the red tape required to set up shop. One company which relocated last year to Rio Rancho, New Mexico, obtained a building permit in less than two weeks at a cost of just $2,200. It reckoned that the same exercise in southern California might have taken 18 months and cost $40,000.


Hard-working city: Salt Lake City is the home of Mormons, known for their strong family values

Another factor working in the Rockies' favour is the work ethic, which remains high in this area, as in many parts of the US which have traditionally relied on farming.

"Labour is cheaper and the work ethic is higher, so you get more bang for your buck," says an official at a company which moved from California to Boise three years ago.

The state of Utah has benefited particularly strongly from this perception. Some 70 per cent of its population belongs to the Mormon church, based in Salt Lake City. Mormons are known for their strong family values and emphasis on hard work and education.

Some companies also hope that the high quality of life in the Rockies will enable them to attract and keep well-educated employees. The mountains offer a wealth of outdoor leisure activities, ranging from skiing in the winter to trout fishing and horseback riding in the summer. The crime rate is generally low and traffic congestion minimal. Small-town values predominate.

Says Ms DeeDee Corradini, mayor of Salt Lake City: "A decade ago, when I talked to businesses about moving to an area like this, they wanted to know what it meant for them financially. Today, I'm finding more and more asking: 'What's the quality of life? Will our employees and their families be happy living there?'"

However, California is fighting back against the lure of the Rockies – for example, by promising to cut its red tape – and the Rockies also have some significant drawbacks for companies looking for the right business location.

The smaller cities and towns in the region have unimpressive air transport links with the rest of America. Continental Airlines, for example, one of a small number of airlines serving Montana, has withdrawn completely from the state this year.

Small-town virtues can also mean small-town dullness, and some companies could find it hard to get sophisticated employees to relocate to the region from America's principal cities.

As for foreign companies, Asian ones are likely to prefer a West coast location (though Utah has attracted some Japanese investment) and European ones may be put off by the significantly greater distance from headquarters – both in distance and time zone – than the Atlantic seaboard.

The present boom is also bringing new social problems to the region: many long-time Rocky Mountain residents resent the newcomers, and there have been confrontations in some Utah towns between straight-laced Mormons and racier Californian newcomers.

Martin Dickson on new trends shaping site selection

Tomorrow's locations

In considering a business location, it is important to weigh up the fact that communities are constantly changing, and so are the needs of industry. What looks like an excellent site today may seem a bad choice 10 years down the road, and vice versa.

So what do locational experts see as important new trends shaping company site selection over the next decade or so? One of the most important is that North American businesses will become increasingly reliant on well-educated employees – so-called knowledge workers – such as computer technicians, accountants, and engineers, who can give their companies the critical value added they need to compete against increasingly fierce global competition.

Factory floor employees will also need to be better trained to perform their jobs well – for example, in keeping track of the computers which run the production process.

Companies which prosper are therefore likely to be attracted to areas which can lure knowledge workers to live in them; which have good secondary and higher education systems; and which are willing to offer generous aid in training workers.

Somewhat paradoxically, these criteria throw up as favourable centres an extremely broad range of communities – from some old eastern cities to relatively new urban clusters in the desert south-west and rural communities.

For knowledge workers are attracted both to large urban centres of intellectual excellence and to the quality of life available in more rural surroundings, away from the crime, pollution and congestion of the metropolis.

Some of the most favoured business locations in North America manage to combine intellectual excellence with a high quality of life.

Perhaps the most outstanding example is the Raleigh/Durham area of North Carolina, which has at its heart the 7,000-acre Research Triangle Park, a vast campus for high-technology whose resident companies include Du Pont, Glaxo and Ciba-Geigy.

It is broadly in the middle of a triangle between the region's three big universities – Duke, University of North Carolina and Carolina State. The area is leafy, the climate mild, the cost of living relatively low, and skiing mountains and the Atlantic ocean only a few hours' drive away.

Some analysts see so-called "second tier" cities, somewhat akin to the Raleigh/Durham model, becoming increasingly attractive as locations. These are smaller centres, with lower business costs, which have modernised themselves over the past decade or more and offer up-to-date facilities, but a relaxed quality of life. To fare best, however, they need good transport links and a good university or two.

Examples (all with populations of under 1m) include Albany, the still rather sleepy capital of New York state; Birmingham, Alabama, a city which has transformed itself from a dusty steel town into a centre of medical excellence; Austin, the capital of Texas, which has become a significant computer industry centre and is home to the main campus of the University of Texas; Salt Lake City, Utah, emerging as a significant high-technology centre; and Oklahoma City, Oklahoma, which has become a substantial back office and distribution centre and has an excellent vocational education system.

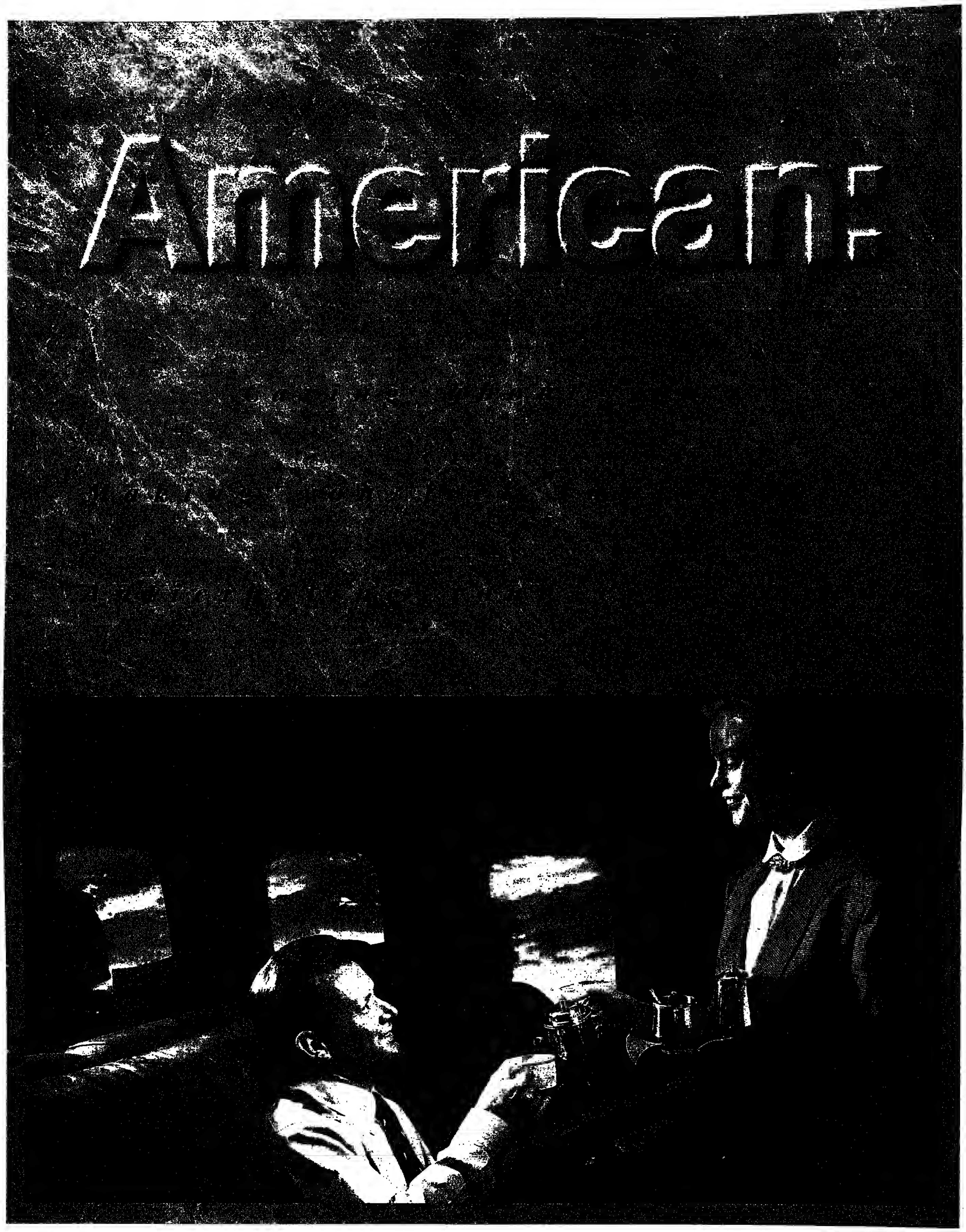
However, some of America's largest cities are also expected to remain extremely attractive business locations – despite their relatively high costs – because of the sheer concentration of knowledge workers found there.

New York ,for example, will remain a crucial centre for finance, the media, the professions and international trade.

Other big cities which appear to have a particularly bright future include Boston, thanks to computers, medicine, finance and its universities; Chicago, with an extremely diverse industrial base and excellent universities; San Francisco/San Jose, with Silicon Valley retaining its pre-eminent position as an information technology centre; and Houston, which has diversified from oil and gas into a broad range of high-technology and engineering industries and is home to several excellent universities.

Atlanta, Georgia, the capital of the booming south-east, is also extremely well placed, as is Seattle, with its cluster of high-technology industrias, beautiful setting and close links with Asia.

Companies, however, should not rule out of their calculations rust-belt cities which have suffered in the past from a poor image. Take, for example, Pittsburgh, Pennsylvania, which in tha 1980s was a byword for industrial depression as its surrounding steel mills closed. It has diversified its economic base and the city centre, with its dramatic riverside setting, now has a thriving, confident air.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